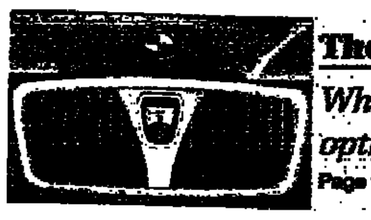

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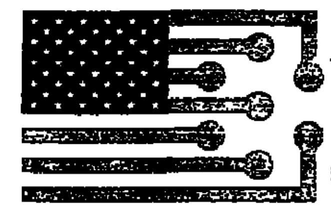

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FINANCIAL TIMES

Europe's Business Newspaper TUESDAY FEBRUARY 22 1994 D8523A

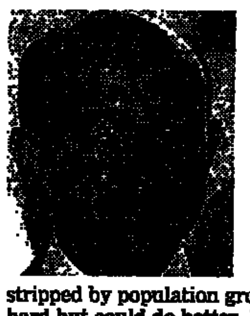
Former London head of CSFB quits the parent board

Hans-Jörg Rudloff, longtime head of Credit Suisse First Boston in London, has left the Swiss CS Holding financial group "to pursue personal and family business interests", according to CS.

Mr Rudloff was one of the leading figures in London's international capital markets throughout the 1970s and 1980s. He joined CSFB in 1980 and kept it throughout the 1980s among the top Eurobond and equity houses in the City. Page 21

German union sets strike date: IG Metall, the German engineering workers' union, is set to begin strike action in the north German state of Lower Saxony on March 7 and extend it if its demands are not met, the union said. Page 20

Seven-year low for Mexican economy



Mexico's economy grew 0.4 per cent last year, the lowest rate for seven years, and far short of the November government forecast of 1.1 per cent, government statistics show. For the first time in the administration of President Carlos Salinas (left), economic growth has been outstripped by population growth. Page 6; Trying hard but could do better, Page 6

Norsk Hydro, Norway's largest publicly-quoted company, reported a sharp increase in 1993 profits, helped by lower costs, higher crude oil production and the disposal of the group's stake in a Norwegian chocolate producer. Page 22

British Land, UK property company, has acquired 29.9 per cent of the property company Stanhope, in a deal aimed at giving chairman John Ritblat and George Soros control of the prestigious Broadgate Centre in London. Page 21; Lex, Page 20

Kersaf Investments: Strong performances from its hotel, casino and cinema interests boosted interim results at the South African-based leisure group. Pre-tax profit advanced 15 per cent to R233.9m ($67.7m) from R202.9m in the half-year to December 31. Page 23

S African right snubs ANC move: Right-wing parties in South Africa rejected compromise constitutional proposals from the African National Congress and refused to attend a multi-party conference to discuss amending the constitution to meet their demands. Page 4

Rhône Poulenc, French chemicals and pharmaceuticals group, launched what it described as a friendly FFr3bn ($500m) bid for Cooperation Pharmaceutique Française, which is one of France's biggest distributors of drugs and healthcare products to retail chemists. Page 21

Fishing dispute threatens EU talks: The European Union was last night struggling to agree a line on the fishing industry in the membership talks with Austria, Sweden, Finland and Norway, which restart today in the increasingly remote hope of concluding by March 1. Page 20

Brambles: A large write-off at its US incineration subsidiary caused the Australian transport, equipment hire and waste disposal group to post a A$313.9m (US$223.9m) six-month loss after tax and outside equity interests. Page 23

Warsaw looks to end air row: Poland is seeking to end the long-running dispute between British Airways and Lot, the Polish state-owned airline, which has blocked direct flights between Poland and the UK since October 30. Page 7; Japanese airline applies to slash fares, Page 7

Newcomers in Italian poll: More than 80 per cent of the members of Italy's next parliament are likely to be new to national politics or politicians who have changed parties. Page 2

Higher capital proviso for banks: Russia increased the minimum capital requirement for commercial banks by 20 times to Rbs2bn ($1.27m at the market rate) in an attempt to flush out hundreds of small under-capitalised banks and consolidate the banking sector. Page 20

Daiei, Japanese supermarket chain, has formed an import buying partnership with Marubeni, a general trading company, the first tie-up between a leading Japanese trader and retailer. Page 24

Islamic threat played down: Bankers in Cairo sought to play down any possible threat from Islamic extremists who have warned that Arab and foreign banks were a target in their anti-government campaign and set today as a deadline for people to withdraw money from what they called "usurious monuments". Page 4

FT guide to world currencies: The guide to world currencies which appeared in yesterday's FT used figures which were a week out of date. The correct table appears in today's paper on Page 29. We apologise for the error.

STOCK MARKET INDICES

FT-SE 100:	3350.3	(-32.3)
Yield	3.52	
FT-SE Eurotrack 100	1483.51	(-11.49)
FT-SE-A All-Share	1686.95	(-0.9%)
Nikkei	19,393.94	(+434.34)

LONDON MONEY

3-mo Interbank	5⅛%	(same)
Liffe long gilt future:	Mar 114⅞	(Mar115⅞)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$13.18	($13.25)

GOLD

London	$380.1	($378.5)

STERLING

London:		
$	1.4752	(1.4788)
DM	2.5478	(2.5406)
FFr	8.6587	(8.6385)
SFr	2.1464	(2.1443)
Y	156.866	(154.239)
£ Index	80.7	(80.4)

Tokyo close Y 105.23

The New York markets were closed yesterday

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L13000
						UAE	Dh12.00

Honda to end share link with Rover

Japanese carmaker to review contracts with UK group

By Kevin Done and John Griffiths in London and Michiyo Nakamoto in Tokyo

Honda, the Japanese carmaker, is to end its minority shareholding link with Rover just three weeks after the controversial takeover by BMW of Germany of a controlling stake in the UK company.

Mr Nobuhiko Kawamoto, Honda president, and Mr Bernd Pischetsrieder, chairman of BMW's management board, met yesterday in Tokyo for the first time since the German executive and luxury carmaker stunned Honda with an £800m deal to buy British Aerospace's 80 per cent stake in Rover.

Honda said after the 90-minute meeting that it intended to end its "mutual equity holding relationship" with the Rover group formed in 1990.

Honda currently holds a 20 per cent stake in the Rover vehicle operations (including Land Rover), while Rover holds a 20 per cent stake in Honda of the UK Manufacturing, the Japanese carmaker's £370m car and engine assembly plant at Swindon, Wilts.

Honda made clear yesterday that in the long term it intended to wind down its collaboration with Rover, which dates from 1979, although it left the way open for existing co-operative projects such as the production of the Rover 600/Honda Accord and the Rover 200/400/Honda Concerto to be continued.

In a statement Mr Kawamoto said: "The series of contracts now existing between Honda and Rover will be reviewed in future business discussions.

"In the future we intend to create a more independent operation in Europe, using our own resources."

In London Mr John Russell, managing director of Rover International, emphasised that Rover believed there would be no changes in existing collaboration agreements or component supply arrangements.

Project HH/Theta, Honda's and Rover's respective replacements for the current Honda Concerto/Rover 200-400, would also go ahead as planned. Production has been scheduled to start in the autumn.

Yesterday's Tokyo meeting, which also included Mr John Towers, Rover managing director, had taken place in a "friendly" atmosphere, said Mr Pischetsrieder.

While Honda would not reveal details of the talks, it emphasised that its decision to sever the equity links had been based on what BMW had brought to the negotiating table at the meeting.

"This time we listened to what BMW had to say and then told them what our intention was," Honda said. Terminating its equity relationship with Rover was only one of several options Honda had been considering until today's meeting, it added.

BMW said the 20 per cent cross-shareholdings between Rover and Honda's UK manufacturing subsidiary would be swapped leaving it in 100 per cent control of Rover. In addition it would have to make a cash payment of about £30m to Honda under the terms of the original 1990 share exchange agreement.

Meanwhile Sir Teddy Taylor, a Conservative MP, urged the UK government to apologise to Honda for the "scandalous" way it had been treated. The company had been "taken to the cleaners".

Mr Robin Cook, Labour shadow trade and industry secretary, said: "The danger for Rover is that customers will lose confidence and the workforce will lose morale if the uncertainty is not ended swiftly.

Mr Tony Woodley, Transport and General Workers Union motor industry secretary, said the relationship between Honda and Rover now appeared to be "dead".

- Honda owns 20% of Rover
- Rover owns 20% of Honda of the UK Manufacturing
- Rover produces under licence from Honda the Rover 400 and 600 and PG1 gearbox for its own T-Series
- Honda supplies V6 engine for Rover 800
- Honda supplies 2.0L and 2.3L engines for Rover 600 and 1.6L engine for Rover 200/400.
- Land Rover Discovery is sold in Japan as Honda Crossroad.
- Honda and Rover are developing replacement for Rover 200/400/Honda Concerto

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Analysis, Page 26

Western calls to capitalise on Bosnia ceasefire

By George Graham in Washington, Judy Dempsey in London and John Ridding in Paris

Disagreements were already emerging yesterday among western capitals over how to capitalise on the ceasefire and continuing demilitarisation of the Bosnian capital Sarajevo.

President Bill Clinton promised to renew US efforts to achieve peace in Bosnia, using the "breathing space" won by Nato's apparent success in forcing the withdrawal of heavy guns from around Sarajevo.

But at a White House press conference, Mr Clinton remained wary about issuing further ultimatums in other areas of Bosnia, cautioning that Nato should "not undertake a mission it is not able to perform".

However, Mr Willy Claes, Belgium's foreign minister, said the Nato ultimatum should be ready to go further: "The Nato partners ... in consultation with the UN, should tell the parties concerned in Bosnia that we will not hesitate to widen this measure to other places in Bosnia if there too the hostilities do not stop."

Nato called off plans to launch air strikes after Bosnian Serbs and Bosnian government handed in their heavy artillery by the Sunday midnight deadline.

Mr Warren Christopher, US secretary of state, warned yesterday that the threat of air strikes remained. "If there are heavy weapons discovered within the exclusion zone or if they go back in there, they are subject to attack by Nato," he said before a meeting in Washington yesterday with Mr Haris Silajdzic, Bosnia's prime minister.

US officials said they would be examining ways of encouraging negotiations at talks with the UK, France, Germany, Russia and the European Union in Bonn today. Among the possibilities would be renewed efforts to arrange an agreement between the Bosnian Moslem government and the Bosnian Croats, to increase the isolation of the Bosnian Serbs, or an expansion of the Nato ultimatum to ease conditions in other besieged towns such as Tuzla, Srebrenica or Mostar.

Mr Clinton made no reference to the US sending ground troops. However, Mr Pavel Grachev, Russia's defence minister, urged Washington – and Germany – to send peace keepers, according to Interfax news agency.

Mr François Mitterrand, the French president, said yesterday that France would ask the

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Sarajevo guns set to find new targets, Page 3
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UK chancellor of the exchequer Kenneth Clarke arriving at the arms-for-Iraq inquiry. He said he had signed certificates to stop the release of certain information in order to prevent damage to Britain's intelligence services. Report, Page 8 Picture: Jonathan Turner

Greece warned on 'illegal' embargo

By Lionel Barber in Brussels

The European Commission yesterday branded as illegal Greece's partial trade embargo against Macedonia and warned that the Athens government risked being taken to the European Court of Justice.

The warning came as Greece, which holds the rotating EU presidency, found itself isolated at a European foreign ministers' meeting in Brussels. Ministers deplored Greece's unilateral action against the former Yugoslav republic and demanded an explanation.

Mr Theodoros Pangalos, Greek minister for European affairs, pledged to submit to Brussels a legal defence of the embargo shortly, and hinted that it would be based on public security grounds.

Mr Hans Van den Broek, commissioner for external political affairs, is to visit Athens and the Macedonian capital Skopkje, probably tomorrow and on Thursday.

He will attempt to mediate in the crisis caused by a dispute over Macedonia's name and use of an ancient Greek symbol, the Vergina, on its flag.

However, a Brussels official made clear that the commissioner would not negotiate on the embargo, which was being tackled separately by the Commission.

Greece last week banned the movement of oil and other goods through the Greek port of Thessaloniki without informing or consulting its EU partners.

The partial embargo followed the US decision to extend diplomatic recognition to Macedonia. This move seems to have prompted the Greek Socialist government to harden its position – even at the expense of alienating the European Commission and Greece's EU partners.

In Brussels yesterday, the Commission described the trade embargo as an infraction of the Treaty of Rome providing for the free circulation of goods inside the European Union. As guardian of the treaty, it demanded a response from Athens; but also said the Greeks would have to show that they had no other course of action if they invoked the defence of national security.

At the foreign ministers' meeting, there were signs that Athens' action has weakened

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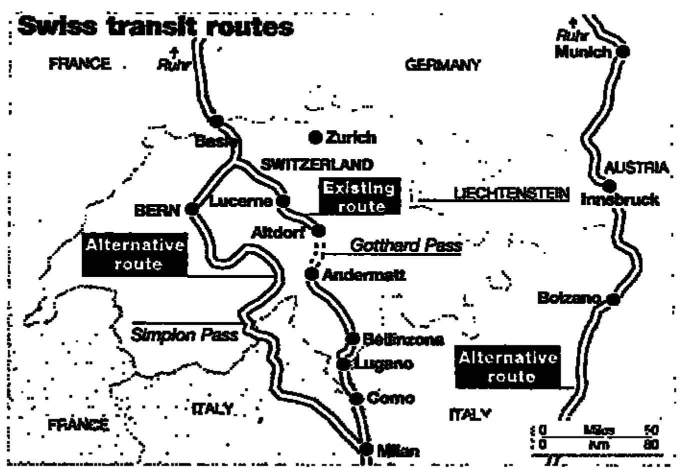
EU enlargement talks, Page 20

EU takes tough line on Swiss vote for lorry ban

By Robert Graham in Milan, Ariane Genillard in Bonn and David Gardner in Brussels



Switzerland yesterday came under blistering attack from European Union countries over its decision to ban foreign trucks from travelling through the Swiss Alps.

Italy and Germany, both of which depend heavily on the Gotthard Pass for the transport of goods, said they would seek talks within the EU to consider the implications of the ban.

There were worries in Brussels that the result of Sunday's referendum could scupper chances of the EU reaching agreement with Austria on lorry traffic through its Alpine passes. This has been an obstacle to the final negotiations on Austrian entry to the EU, due to start today.

Germany warned that closer ties between the EU and Switzerland would suffer because of the vote to ban foreign road transit within 10 years. Nearly 52 per cent of those who took part in the poll voted in favour, despite a campaign by the Swiss government against a ban.

Italy called for an urgent meeting of EU transport ministers, warning that the decision had set a dangerous precedent and could have a serious knock-on effect in other countries. France, Spain and the Netherlands also demanded a tough EU response to the Swiss decision.

About 1,000 foreign trucks a day cut through Switzerland's Gotthard Pass, which bisects the country north to south. Much of the traffic is from Italy and Germany.

The EU said it would analyse the economic impact of the decision in response to the protests.

The Swiss government had argued that an accord already agreed with the EU restraining heavy traffic provided adequate protection. This says Switzerland can maintain a 28-tonne limit on trucks during the day and a complete ban at night and weekends.

Yesterday, representatives of the Italian road hauliers' association said the annual cost of the Swiss ban would be L750bn ($444m) in extra mileage alone. They calculate that Italian haulage operators would have an average of 400km added to journeys to trading partners in northern Europe if they are forced to circumvent Switzerland. Mr

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CONTENTS

Polls show Berlusconi and Forza Italia holding 25 per cent of the vote

New candidates swell Italy's election lists

By Robert Graham in Rome

More than 80 per cent of the members of Italy's next parliament are likely to be either new to national politics or politicians who have changed parties.

This became evident yesterday as the list of candidates in the March 27 election closed before the campaign begins formally on Friday.

Former leading figures such as former prime ministers Mr Bettino Craxi and Mr Arnaldo Forlani have stepped down, discredited by corruption scandals. The parties, new and old, have recognised that all those tainted by the scandals risk being a political liability and the emphasis is on new or acceptably recycled faces.

The greatest haggling has been within the Popular party (PPI) - previously the long-governing Christian Democrats - who have forged a tenuous electoral alliance with the Italian Pact movement of Mr Mario Segni, the referendum leader.

The PPI and the Pact were the last to hammer out an agreement on candidates for the 475 seats in the chamber of deputies to be elected by the new first-past-the-post system. The remaining 155 seats will be decided by the old proportional representation system.

Mr Silvio Berlusconi, the media magnate turned politician who has injected the main element of uncertainty into the result, is to contest a seat in the historic centre of Rome, having originally sought a Milan constituency.

He is being opposed by Mr Luigi Spaventa, the budget minister in the present government, who is standing as a candidate for the Progressive Alliance, dominated by the former communist Party of the Democratic Left (PDS).

The two men could not be more different. Mr Berlusconi represents entrepreneurial success and television soap opera culture; Mr Spaventa, a Fellow of All Souls at Oxford, is a brilliant intellectual with a technocratic background. The third main candidate in this constituency is Mr Alberto Michelini, the closest aide of Mr Segni and strongly identified with the Roman Catholic organisation Opus Dei.

Mr Berlusconi had originally considered a Milan constituency but, following an agreement with the populist Northern League, agreed to let Mr Umberto Bossi, the League's leader, treat the city as his seat.

The League alliance with Mr Berlusconi's new Forza Italia movement appears to be holding. But there are continued strains over Mr Berlusconi's links in southern Italy with National Alliance, the renamed neo-fascist MSI movement of Mr Gianfranco Fini.

The polls show Mr Berlusconi and Forza Italia holding 25 per cent of the vote, well clear of any other party. The polls also indicate that Forza Italia, League and National Alliance movement would win about 45 per cent of the vote, insufficient to form a government. Also, once the campaign starts, the polls are likely to change and the PDS alliance believes it can recover ground.

Brussels to study Procter acquisition

By Gillian Tett in Brussels

The European Commission is to hold a full investigation into the acquisition by Procter & Gamble, the US consumer products group, of Vereinigte Papierwerke Schickedanz, a subsidiary of the German partnership Gustav und Grete Schickedanz, it was announced in Brussels yesterday.

The commission will consider whether the acquisition by Procter & Gamble GmbH, a wholly-owned subsidiary of Procter & Gamble, breaches the Commission's competition rules in the European market for female sanitary protection.

The Commission inquiry follows a preliminary investigation into the implications of the acquisition for the European markets in diapers and feminine protection.

Procter & Gamble has promised to divest VPS's baby diaper business and part of its feminine protection business to comply with EU competition rules.

But the Commission remained concerned the moves still left Procter & Gamble in breach of EU competition rules in the sanitary-towel sector of the feminine protection market, not least because Procter & Gamble would acquire VPS's leading sanitary-towel brand in Germany, the commission said.

"Whether the geographic market concerned is national or EEA-wide, the combined market shares of Procter & Gamble and VPS raise serious doubts as to the operation's compatibility with the Common Market," the Commission said.

It pointed out that factors such as consumer brand loyalty, high promotion costs and the strength of Procter & Gamble in branded consumer products meant there were already significant barriers to market entry.

The key task for the commission now would be to define the feminine protection market, especially if it was national or European in nature, Mr Bruno Julien, commission spokesman said.

Under EU rules the investigation will take up to four months.

Kohl tries to stir CDU fighting spirit

Chancellor launches offensive against SPD in election marathon, writes **Quentin Peel**

Chancellor Helmut Kohl of Germany sought yesterday to galvanise his ruling Christian Democratic Union out of pre-election pessimism and to take the offensive against the opposition Social Democratic party.

With an hour-long exhortation to the party faithful, abandoning his usual careful text and speaking off the cuff, he accused his opponents of threatening to take Germany back into isolation at the heart of Europe, unable to play its full role on the international stage.

He stepped up his campaign against the opposition for allegedly preparing to recognise East German citizenship in the mid-1980s, a move which would have undermined the entire process towards unification, he said.

He warned that the real alternative to the present ruling liberal-conservative coalition was a "red-green" coalition between the SPD and the Green party, which would make Germany unpredictable and drive away investors.

It was a personal *tour de force* to revive the spirits of his CDU, facing a string of election setbacks before the national poll in October. It earned the Chancellor a seven-minute standing ovation from an audience desperate for the prospect of a political revival.

The three-day party conference in Hamburg is supposed to approve a weighty new party programme, called Freedom and Responsibility, as the foundation of its campaign through no fewer than 19 elections in the next eight months.

Yet Mr Kohl's speech contained no programme: it was rather a presentation of his own personality, as the chancellor who delivered unification and who had come to enjoy the trust of statesmen throughout the world, as the key to an election victory.

Chancellor Helmut Kohl (left) and Christian Democrats' parliamentary leader, Mr Wolfgang Schaüble, in jovial mood at the opening of the party's annual congress in Hamburg yesterday Reuter

He insisted that he was fighting for outright victory, but on the platform of the present coalition. He denounced those who were already arguing in favour of a "grand coalition" with the SPD.

It was a speech overwhelmingly about foreign policy, and his own role in promoting European union, to which he restated his absolute commitment.

He denounced attempts to water down the party's European policy, and remove its commitment to a "federal" future for the European Union.

He insisted that German unification had proved possible only as the counterpart of European union.

It was Germany's unshakeable commitment to European integration which had persuaded its European partners, as well as Russia and the US, to back the process of German unification.

"The Social Democrats want to lead our country back to isolation," he said. "But isolation must never again become a concept in German history."

It was a speech to inspire the party faithful, dispirited by election setbacks last year in Hamburg, where the CDU dropped 10 percentage points to only 25 per cent support, and in Brandenburg in east Germany, where it dropped to third place, behind the former communist party.

It was still not enough to head off some sharp criticism from the floor, with speakers demanding more policies to attract young voters, more to counter the opposition's accusations that the government is determined to dismantle the welfare state, and more to woo back the disenchanted voters of eastern Germany.

But it was just enough to get that standing ovation, and that was what Mr Kohl required for the television cameras yesterday.

Chancellor 'losing ground in E Germany'

A poll by the German news magazine Der Spiegel shows German Chancellor Helmut Kohl's Christian Democratic Union (CDU) losing ground both to the opposition Social Democratic party (SPD) and the far-right Republicans in eastern Germany, AP reports from Bonn.

The poll, which asked voters whom they would vote for in the federal election if it was held next Sunday, shows the CDU would not be able to form a coalition government on the state level with its partners, the Free Democratic party (FDP), in any of the eastern German states.

In Saxony, which the CDU won outright with 53.8 per cent of the vote in the 1990 election, Mr Kohl's party is at present polling only 38 per cent, while the FDP is attracting only 3 per cent of the vote, down from 5.3 per cent. In contrast, the SPD is polling 30 per cent, up from 19.1 per cent; the Republicans are supported by 3 per cent of the voters, up from no measurable support in 1990.

The former communists, the PDS, are polling 12 per cent, against 10.2 per cent in the last federal election; support for Bündnis 90/Greens has risen to 10 per cent from 5.6 per cent in 1990.

In Saxony-Anhalt, the CDU's support has diminished to 20 per cent against 39 per cent in 1990, while the SPD's support has ballooned to 36 per cent from 26. The FDP's support is at present 7 per cent, down from 13.5 per cent, while the Bündnis 90/Greens attract 13 per cent, compared to 5.3 per cent. The PDS polls 14 per cent, up from 12 per cent; the Republicans are supported by 4 per cent of the voters, up from 0.6 per cent in 1990.

High stakes on both sides in EU entry talks

Attitudes are hardening on the price to be paid for membership of the club, writes **David Gardner** in Brussels

Even before the European Union's foreign ministers began talking in Brussels yesterday, the vexed negotiations to bring Austria, Sweden, Finland and Norway into the EU had been complicated by hard-line Spanish demands.

Among them was Madrid's insistence that money the rich new northerners put into the Brussels budget should be spent in the poorer south of the Union.

But, as what should have been the beginning of the last lap of the enlargement talks opened in Brussels, tactically ill-timed requests by Sweden and Austria that their budget contributions should be phased in served only to sharpen the money issue prematurely.

The Swedes in particular, who want exemption from three-fifths of their EU payment for three years, appear to have made Spain's partners more receptive to the agenda Madrid is trying to set in the talks.

"They [the Swedes] have stirred up such a row that the Spaniards have broadened their counter-demands," one of the EU's lead negotiators says.

If membership terms for the applicants are not settled by the first week of next month, it will become virtually impossible for the four to enter the EU by January next year as planned.

Missing the deadline, says the senior EU negotiator, "could decrease their interest [in joining], and increase our lust for a bigger cake" in terms of the Nordic and Alpine countries' money and resources.

The UK and Germany, which contribute most to the EU's Ecu70bn ($77bn) budget, are, for example, already positioning themselves to demand that the newcomers' net contributions - worth Ecu1.7bn on the European Commission's first serious estimates - should be used to reduce their own EU payments.

Until the Swedish budget request, Spain's main concern, shared with the UK, was to preserve existing EU majority voting rules enabling relatively modest alliances within the Twelve to block measures affecting their national interests. "We really mean it," said one senior Spanish official recently.

But the Norwegians have since propelled the fish issue up the league table and the Spanish have leapt upon it. "They are taking the [fisheries] regime hostage," one senior Commission official said of the Spaniards.

Wherever Spain's demands settle, yesterday's lunchtime talks between the Twelve's foreign ministers left little doubt that the money and resources question is nagging away at several member states, rich and poor.

Spain has German support in opposing Commission plans to make thinly populated and inhospitable parts of northern Sweden and Norway eligible for the same levels of EU regional aid as Andalucia and the eastern German Länder.

Brussels yesterday backtracked and proposed an analogous, slightly less generous, and possibly time-limited aid regime, which the applicants at first sight are inclined to reject.

But it is in the cost of aligning the farm subsidy regimes of the candidate countries with EU norms that blood could be spilt. Sweden's farm prices are now close to the EU's, but Austria's are about 25 per cent higher, Finland's 50 per cent more, and Norwegian prices are double those within the Twelve.

The EU concedes that for a mix of socio-economic, cultural, environmental, and even security reasons, extra farm subsidies to keep the Alps and the Arctic populated are legitimate. The argument is about who pays.

The latest figures from the Commission's budget directorate calculate that within the four, Ecu4.1bn is now going to farmers through high prices paid by consumers, and Ecu2.2bn in direct government aid.

The EU's opening offer is for a "big bang" price cut to Union levels immediately on entry, and then only some Ecu2bn in normal common agricultural policy price support. Formally, the Twelve are prepared to sanction both transitional and permanent extra aid so long as the applicants pay for it themselves.

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Sarajevo guns look to new targets

Judy Dempsey on likely moves to consolidate territory in other parts of Bosnia

Officials from the United Nations, the European Union, the Russian Federation and the US meet in Bonn today to discuss what gains made in the Bosnian capital of Sarajevo can be extended to the rest of the republic.

But military analysts are pessimistic that diplomats will be able to capitalise on the ceasefire in Sarajevo, let alone react in time to stem the flow of more artillery to eastern Bosnia, halt the fighting between Moslem and Croats in central Bosnia, or lift the siege imposed by Croats on the city of Mostar in the west of the republic.

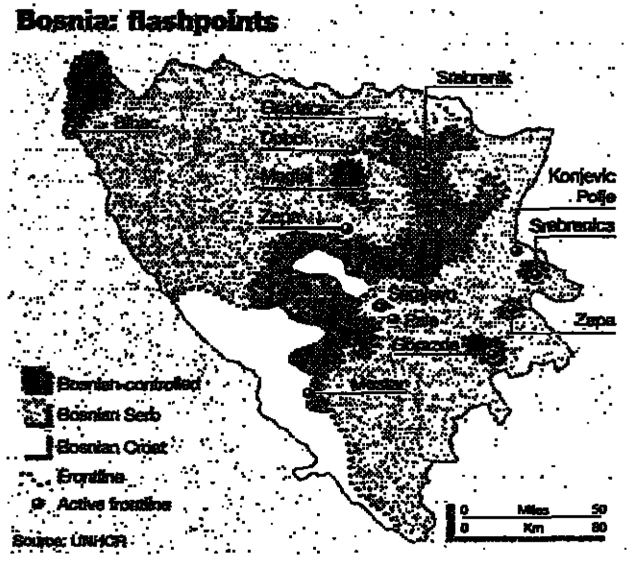
While attention remains focused on Sarajevo, military analysts believe the Serbs in eastern Bosnia, and the Croats in western Bosnia, will speed up their attempts to consolidate their grip over territory they have won in battle. The Bosnian government forces, now backed by a well-trained infantry, will also focus their attention beyond Sarajevo.

"Sarajevo is important for the Bosnian Serbs, but it is not as important as what they want to achieve strategically in the eastern part of the country," said Mr Charles Dick, head of the UK-based Conflict Studies Research Centre at Sandhurst.

Mr Radovan Karadzic, head of Bosnia's Serbs, has always aimed at linking eastern Bosnia to Serbia proper. The Bosnian Croats have a corresponding goal in western Hercegovina. They may still be able to realise those aims.

For instance, Mr Dick and other analysts believe that Bosnian Serb forces, without too many restrictions, can transfer any weapons moved out of the 12-mile zone around Sarajevo to other parts of the country.

Bosnia: flashpoints



"There is nothing to stop them," a Nato diplomat said. "The point is that Nato cannot keep declaring a new ultimatum to lift the sieges of Gorazde, Zepa, or Maglaj because it might be seen as bluffing if Serb – and Croat forces – do the minimum to meet any deadline" and the threat is not followed through.

Already Bosnian Serb forces are attempting to link up the Serb-held territory of Krajina, in south-western Croatia, with Serbia-proper.

This involves cutting a deal with Mr Fikret Abdic, a former Bosnian government minister who broke away from the Bosnian side, and took over the control of Bihac, a Moslem enclave in the north-western corner of Bosnia. It would also involve negotiating a passage through, or around Brcko, on the Croat border.

"If you want to prevent any more killing, and more territorial gains, you have to provide thousands of peacekeepers," a Nato diplomat said. "But the omens are not good. General [Sir Michael] Rose [the UN commander in Bosnia] has not even managed to obtain 3,000 extra troops which he requested last week. So what kind of message is that sending out to all three sides?"

In the case of Croatia, the government in Zagreb had given no indication it would withdraw its troops from western Hercegovina.

"We applied some kind of pressure. But it has had little affect," a US military expert said. "I sometimes wonder do our threats carry clout or not? If not, then there is no reason for the Bosnian government to stop fighting, because, unlike the Croats and Serbs, they have nothing to lose."

That is why any UN follow-up plan to the ceasefire in Sarajevo will be watched closely by all three sides.

"If the roads leading into and out of the city are not placed under UN control, and if the siege is not completely lifted very quickly, we will have squandered what political will we mustered last week," the Nato diplomat said.

Relief is palpable in Moscow that Russia's intervention helped persuade the Serbs to heed Nato's ultimatum, thus avoiding the risk of air strikes, writes Leyla Boulton in Moscow.

There had been a widespread fear among Russian officials and Russia watchers that air strikes would have hurt President Boris Yeltsin by presenting his already strong ultra-nationalist opposition with a golden opportunity to undermine him on a second front, namely foreign policy.

After successfully hobbling his course of bold economic reforms, by enabling Mr Victor Chernomyrdin, prime minister, to squeeze radical reformers out of the government, they would have used the air strikes against Serbs, fellow Slavs, to attack the president's pro-western foreign policy.

Presidential officials yesterday lost no time in milking the president's Bosnian "triumph" for all its worth. Mr Vyacheslav Kostikov, the president's press secretary, said it showed he was "the unchallenged leader of Russia". "The world was almost on the brink of a world crisis, which threatened to grow into a war drawing in the major powers ... Without firing a single shot, without threatening anyone, without putting the lives of its soldiers at risk, without spending a single rouble, Russia has actually won an important battle for its world status."

No doubt cheered by the news, Mr Yeltsin returned to the Kremlin yesterday after a long and unexplained illness.

Azeris want UK help in Karabakh conflict

Aliev talks to **John Lloyd** on eve of his visit

Azerbaijan's president, Mr Heydar Aliev, is to press Britain to take a "more active part" in finding a solution to the former Soviet republic's conflict with Armenia around the Armenian-dominated enclave of Nagorno Karabakh.

In an interview in Baku, Mr Aliev said: "Britain has always taken a good, objective position on this conflict, and there has been some sympathy shown with our position from the United Nations, with four resolutions calling on the Armenians to withdraw their forces from our territory.

"Now I would like Britain... to more actively concern itself with getting those resolutions fulfilled."

The Azeri president, who recently visited Turkey and France, arrives in Britain today.

He wants to use his three-day trip to "make Britain and Europe more aware of our point of view, and the possibilities of doing business with us". He and his advisers are convinced the west is strongly infuenced on Nagorno Karabakh by Armenian communities in the west.

He and Mr John Major, the UK prime minister, have exchanged letters on the desirability of signing a contract on Caspian Sea oil exploration. Mr Aliev is aware this gives him leverage to press Azerbaijan's case for withdrawal of Armenian troops and settlement of the Karabakh issue under international auspices.

Mr Aliev said 20 per cent of Azeri territory outside Nagorno Karabakh was occupied by Armenian forces. "We now have over 1m refugees, living in terrible conditions," he said.

Mr Vafa Gulizade, his adviser on international affairs, said on Sunday a ceasefire had been agreed between Armenian and Azeri defence ministers under the chairmanship of General Pavel Grachev, Russian defence minister. Forces were to pull back to defined positions and a meeting at presidential level was to be held next month.

However, Mr Aliev was cool on the agreement. "Russia has announced a ceasefire several times and said it can get the withdrawal of Armenian troops," he said. But during the ceasefires Armenian troops had taken several regions.

Mr Aliev admitted Russian influence had increased since he became president in a bloodless coup last year. "Russia is our neighbour," he said. "It's one of the most powerful countries n the world. It's been connected with the fate of Azerbaijan for 200 years. So what should we do – have a state of hostilities with it?"

He said it was possible the Russian oil comopany Lukoil would join the consortium of western companies led by British Petroleum which is likely to sign a contract soon for exploitation of Caspian oil reserves. But "further negotiations" were needed.

Asked about the possibility of Russian bases being established in Azerbaijan, he said: "The question hasn't come up before me. Maybe there is such a desire on the part of the Russians. And of course there are Russian bases in Armenia and in Georgia."

Mr Aliev, a former Communist party leader, now says: "We must never go back to the days of communism and socialist economy. My most important task, besides ending the war, is to bring a civilised level of democracy and a market economy to Azerbaijan."

NEWS IN BRIEF

IMF approves Polish budget

Poland's budget policies have won the approval of the International Monetary Fund, opening the way to a 20 per cent reduction in the country's $33bn debt to western government creditors, writes Christopher Bobinski in Warsaw. Mr Michael Deppler, IMF mission chief, said yesterday Poland had fulfilled the terms of its 1993 agreement and would be negotiating a new stand-by arrangement.

The draft budget foresees a ZL 83,000bn ($3.73bn) deficit (4 per cent of gross domestic product) will be approved by parliament next month. IMF approval needed by Paris Club government creditors, which wrote down 30 per cent of the country's debt in 1991 and promised a further 20 per cent this year if the country remained in favour with the Fund.

Poland can also use the $500m stand-by loan which becomes available at the end of March to help finance its debt reduction agreement with western banks in the London Club although the talks centre on a Polish suggestion, resisted by the banks, that the $12.3bn owed them be reduced by half to match the Paris Club deal.

Denktash holds talks in Ankara

Mr Rauf Denktash, Turkish Cypriot leader, met Turkish officials yesterday to discuss efforts to break the deadlock in UN supervised peace talks with the Greek Cypriot community, AP reports from Ankara. The UN special representative, Mr Joe Clark, met both Mr Denktash and President Glafcos Clerides, the Greek Cypriot leader, last week to discuss confidence-building measures. These include opening Nicosia international airport for both communities and the handover of Varosha to UN troops.

Russian gas sell-off

The Russian government is to sell up to 45 per cent of the shares of the giant gas-producing monopoly, Gasprom, to the company's employees, while keeping a 40 per cent stake for itself for three years, Interfax news agency said yesterday, Leyla Boulton writes from Moscow. Another 5 per cent will be offered to ethnic minorities of the gas-rich Yamal Nenetsk peninsula, while 10 per cent will be kept by Gasprom itself.

Electricity turned off

Managers and workers at a nuclear plant in the Russian Far East cut off electricity from one of four reactors yesterday in protest at customers' failure to pay their bills, Reuter reports from Moscow.

Ukraine loses some power

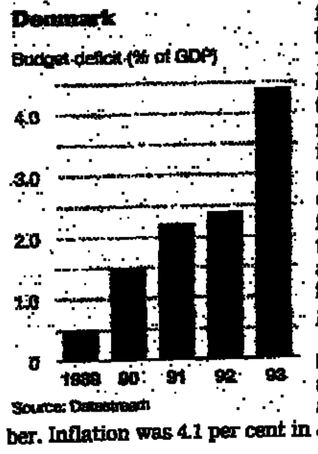
Turkmenistan cut its gas supplies to Ukraine yesterday because of non-payment, a senior official told Reuter in Ashgabat. Last-minute Ukrainian promises to pay were in vain. Turkmenistan had agreed to ship 28bn cubic meters to Ukraine this year, even though Ukraine owes $693m for gas piped last year.

Romania bails errant reporter

Romanian police have freed on bail a reporter arrested for writing an article that likened President Ion Iliescu to a fairy-tale pig, Reuter reports from Bucharest. The article mixed a well-known fairy tale with elements of Mr Iliescu's past as a top communist. He was accused of "offending state authority", a charge which the old communist regime used to silence critics.

Danes aim for lower deficit

Denmark



Mr Mogens Lykketoft, Danish finance minister, promised yesterday a lower budget deficit in 1995. This follows criticism by leading economists and opposition parties that the government's expansionist fiscal policy, introduced to kick-start the economy out of recession, will get out of hand. The budget deficit rose from 2.4 per cent of GDP in 1992 to 4.4 per cent last year, in 1993, according to economy ministry figures. The deficit for 1994 is projected at 4.8 per cent.

■ Inflation in Austria was an annualised 3.1 per cent in January after 3.5 per cent in December. Inflation was 4.1 per cent in January last year.

■ Germany's gross monetary reserves fell DM500m to DM117.6bn ($66.8bn) in the week ended February 15, the Bundesbank said. Its foreign liabilities rose DM500m to DM23.8bn.

Right wing rejects ANC compromise

By Patti Waldmeir in Johannesburg

Right-wing parties in South Africa yesterday rejected compromise constitutional proposals from the African National Congress and refused to attend a multi-party conference to discuss amending the constitution to meet their demands.

In an attempt to split the right-wing Freedom Alliance and tempt some moderate members to defy their leaders and accept a constitutional compromise, the ANC-dominated multi-party negotiating forum yesterday agreed to enshrine the ANC's compromise offer in the constitution, with or without Freedom Alliance approval.

Towards this end, the 1993 constitution was amended to give provincial governments some powers of independent taxation,to protect provincial powers from diminution after the April election, and to introduce separate ballots for national and provincial elections – all important Freedom Alliance demands.

Mr Cyril Ramaphosa, ANC chief negotiator, appealed to the right wing to accept the compromise. "We urge them to do South Africa a favour, and not to plunge this country into a crisis," he said, after a violent weekend left 48 people dead, some of them in election-related violence.

However, no substantial offer was made to the Freedom Alliance on the crucial issue of the powers of provincial governments in areas such as policing and a host of other functions.

The Freedom Alliance yesterday demanded that provincial governments have sole authority over areas such as provincial policing, provincial defence, and the regional civil service, while the ANC continued to insist that central government should have broadly defined powers to override provincial government in all areas.

As part of the continuing battle to avoid blame for the failure of constitutional talks, government and ANC negotiators were last night discussing whether to change the wording of the constitution dealing with provincial powers to a form of words which would appear more attractive to the Freedom Alliance, but which would not have any practical effect.

It was hoped this further concession might make it possible for moderate right-wing leaders to claim victory, without substantially affecting the nature of the constitution.

Government and ANC negotiators said there was no legal deadline for further constitutional amendments before the April 27 elections, but that practical difficulties would prevent any further changes after last night's session.

Islamic state waits in Algeria's bloody wings

Francis Ghilès reports on a nation contemptuous of the old and distrustful of the new

Never has the holy month of Ramadan meant such misery for millions of Algerians. They do not have to wait for the agreement being negotiated with the International Monetary Fund – which is bound to include a hefty devaluation of the dinar – to appreciate the extent to which the government has lost control of the economy.

The price of onions has nearly trebled since December, that of coffee has doubled and of cooking oil has increased by more than half. On the black market, lentils cost three times more than in state shops, while sugar costs 50 per cent more.

Meanwhile the confrontation between the security forces and armed Islamic groups is claiming at least 100 dead every week. The death of a Russian civilian technician last Thursday and of a French shopkeeper yesterday brings the number of foreigners slain since last September to 30. Foreigners have withdrawn to the major coastal cities of Algiers, Oran and Annaba or, in the case of foreign oil companies, to the comparative safety of the southern desert.

Although Ramadan has brought a little life and some cars into the streets of Algiers after dusk, most people lock themselves up at home as soon as the sun sets. Hundreds, perhaps thousands, sleep in a different apartment or house every night. The most radical group, the Armed Islamic Group (GIA), has threatened to kill women, intellectuals and civil servants who dare question the need to impose Islamic "sharia" law.

Earlier this month a GIA spokesman publicly stated for the first time that his movement would attack "Jews, Christians and other non-believers because they support a colonialist plot. This will help the return of Islam as defined by the prophet Mohammed".

Last week the group stepped up pressure by threatening 17,000 tax collectors, arguing that under Islam, *zakat* is the only acceptable form of revenue collection. Tax revenues excluding the oil sector and customs duties were AD112bn (£3.2bn) last year, AD41bn of which came from direct taxation.

Printers who produce most of Algeria's newspapers yesterday threatened an unlimited strike, a new blow to a press already suffering from tougher censorship and the murder of journalists, AP reports from ALgiers.

Employees at the state-run printing centre said the military-backed government, which has cracked down on the press since seizing power two years ago, had failed to seek a settlement after strike notice was issued on Jan. 17.

Islamic gunmen have recently targeted journalists. At least nine have been killed, including one foreigner, a freelance French TV cameraman last month.

In the Mitidja plain around Algiers local "Islamic enclaves" flourish, where Algerian newspapers in French are banned, as is smoking. Many Algerians who two years ago applauded the army for suspending the second round of elections, the Islamic Salvation Front (FIS) was poised to win, now appear resigned to the advent of an Islamic state.

Many simply pray that violence will stop and that the increasingly savage acts of terrorism will be halted. The nervousness of many young soldiers manning roadblocks and policemen bear witness to the distress and confusion that the events of the past two years have brought to 26m Algerians.

In his first speech as head of state, General Liamine Zeroual recently made clear his belief that security measures alone would not help Algeria out of a crisis which requires a total rethink of the economic, social and cultural policies adopted since independence. He acknowledged Algeria's aspirations for "radical change".

General Zeroual is however faced with a dilemma. Many members and leaders of the now banned FIS movement appear willing to talk, but are increasingly outflanked by their more radical supporters, a number of whom are switching support to groups such as the GIA and the myriad other proponents of violence.

Those Algerians who oppose an Islamic state are not united, but millions find it difficult to tolerate the same faces on television and in the newspapers that they have had to endure since independence in 1962. Their resentment at 32 years of single-party rule and the corruption of a state command economy is considerable. Yet senior officials continue to make public statements that few Algerians believe.

Mr Baba Ahmed, the director of the treasury, said last week that negotiating with the IMF was a decision "freely" taken by the government. Mr Mourad Benhachenhou, the minister of the economy, whose vitriolic attacks on the reforming government led by Mr Mouloud Hamrouche in 1989-91 have not been forgotten, said that the kind of medicine Algeria will accept from the IMF must be "defined in such a way that it does not bring about any kind of social unrest".

A woman walks past a slogan calling for jailed Islamic Salvation Front leader Madani Abassi to be 'our president' Reuter

For his part, Mr Redha Malek, the prime minister since August, who was confirmed in his post by the new head of state, insisted that terrorism has gone "beyond the stage of barbarity and must be liquidated". As Algerian ambassador to Washington, he played a key role in securing the release of the US diplomats held hostage in Tehran in 1981, but his language and manner cut little ice with the mass of his countrymen, two thirds of whom are under 30 years of age.

The prime minister and other senior Algerian officials are pleased with the French government's "clear policy" of support for Algeria. The prime minister insists that the time for declarations is finished. Referring to the desperate need to loosen the burden of Algeria's foreign debt payments, which this year will absorb all the country's oil and gas income, he added: "We will now count our friends."

Most western capitals are worried and bewildered by the violence which is increasingly engulfing North Africa's largest country. Many believe dialogue with the radical Islamic groups is inevitable, and all know it will be difficult. Some even fear that it might prove impossible.

The Algerian army, which holds centre stage, has tried and failed to convince respected members of the former Hamrouche government to take senior government posts. It knows that Algerians want to see new faces. It also knows that, were its ranks to split, disaster could ensue.

Lagos still hopes to reach policy pact with IMF

By Michael Holman, Africa Editor

Nigeria has not abandoned efforts to reach a policy agreement with the International Monetary Fund, Mr Kalu Kalu, the country's finance minister told a press conference in London yesterday.

The minister, in the UK for talks with British officials as part of a 10-day tour of the main Western capitals to explain the government's policy, acknowledged there was no prospect of an early agreement with the Fund.

However, he stressed that Nigeria was anxious to limit any increase in arrears of service payments on the country's $28bn (£19bn) external debt.

Arrears at the end of last year reached $6bn and are expected to exceed $8.5bn by the end of this year. This estimate assumes that Nigeria will allocate 25 to 30 per cent of its export earnings based on a projected oil price of $14 a barrel.

Asked how government would respond if oil prices dropped below $14 the minister replied: "We will have to put another hole in our belts."

Mr Kalu will not be seeing British ministers during his stay following Whitehall's decision to apply limited sanctions in the wake of last October's coup by General Sani Abacha. He will, however, meet senior Foreign Office and Treasury officials.

The minister, reviewing government policy in the coming months, stressed the need to reduce the budget deficit and to "bring an end to irresponsible fiscal spending". Recent talks with the visiting IMF mission had raised no problems with the budget's objectives, but he noted the fund had expressed "hesitation" over the key issues of exchange and interest rates.

Kalu Kalu: bring an end to irresponsible spending

Cairo bankers play down extremist threat

By Mark Nicholson in Cairo

Bankers in Cairo yesterday sought to play down any possible threat from Islamic extremists who have warned that Arab and foreign banks were a target in their anti-government campaign. The extremists had set today as a deadline for people to withdraw money from what they called "usurious monuments".

A handful of bankers said they had reinforced security, though most said they were content with measures in place for more than a year, since the Gama'a al-Islamiyya, the militant Islamic group, first warned that Arab and foreign businesses might become targets in their campaign.

"There's not much more we can do, and anyway we'd rather not play into the hands of the militants' propaganda," one foreign banker said.

A straw poll of bankers in Cairo found few concerned by the militants' threat and none suggesting they might avoid going in to work.

The Gama'a al-Islamiyya issued their deadline earlier this month after planting explosive devices outside three banks in Cairo. A fourth explosive was planted on February 15. Only two of the devices detonated, causing superficial damage and injuring no-one.

The banks have been made targets because they charge interest, which is forbidden according to the Islamic Sharia law the militants would like to see strictly installed in Egypt. All but a minority of specialised Islamic institutions charge interest, however, and banks yesterday reported no unusual withdrawals.

The militants' warning appears to be an attempt to prove they retain the ability to wage a continued and co-ordinated campaign against the government despite a frequently violent crackdown by security forces.

The Gama'a al-Islamiyya's follow-up to its deadline may therefore prove some guide to its present strength, and a test of the government's confident claims to have broken the organisation.

Nevertheless, Gama'a claimed responsibility for an attack on Saturday in which four people, including two foreign visitors, were injured, when gunmen opened fire on the Cairo-Luxor train as it passed through a militant stronghold in Upper Egypt.

In a statement faxed to news agencies, the Gama'a's standard means of public communication, the group claimed the attack to have been in retribution for three death sentences passed by a military court on three men charged with an attempt late last year on the life of Egypt's President Hosni Mubarak.

The three, according to Gama'a, were an army officer and two conscripts charged with mining an airstrip close to the Libyan border at Sidi Barrani shortly before a visit by Mr Mubarak.

More than 300 people have fallen victim to the violent campaign between Islamic militants and security forces over the past two years.

The militant groups have specifically targeted members of the security forces, high-ranking government officials and the tourism industry, the latter in what has been a largely successful campaign to damage a vital component of Egypt's economy.

Last month, Gama'a issued specific warnings to foreigners to leave the country or risk becoming embroiled in what it called its "ferocious" battle with the government.

Bolger welcomes US thaw

By Terry Hall in Wellington

New Zealand's prime minister, Mr Jim Bolger, yesterday welcomed a US decision to upgrade military and official contacts with Wellington. Relations were restricted in 1987 when New Zealand passed a law prohibiting visits by nuclear powered or armed vessels.

Mr Bolger said the policy shift would enable New Zealand to have the kind of dialogue "commensurate with our shared interests and values on both bilateral and broader strategic issues".

In a weekend statement, the US State Department emphasised that the Clinton administration had decided to resume senior level contacts, but this did not mean a restoration of US defence relationships with New Zealand or the revitalisation of the ANZUS pact, which formerly linked Australia, New Zealand and the US.

The statement said the US would continue to press for a change in New Zealand's anti-nuclear legislation. However, the State Department now recognised that "our two countries had important business to conduct outside the area of defence relations. . . To advance that goal, we have decided to restore senior level contacts with New Zealand on political, strategic and broad security matters," it said.

Asked whether the government would now consider amending legislation to allow American or British nuclear warships to visit, Mr Bolger said there was no proposal to review the law. "I would caution against seeing the thaw as a full restoration of ANZUS."

President Clinton had undertaken to review the relationship at a meeting with Mr Bolger at Seattle in December.

Pakistani troops free child hostages

Pakistani troops yesterday stormed the Afghan embassy where three gunmen had been holding five schoolboys and a teacher hostage for two days, writes Farhan Bokhari in Islamabad.

The Afghan gunmen were killed in the raid and the remaining hostages freed. The gunmen had been demanding the immediate delivery of 2,000 trucks of food supplies to Kabul, a ransom of Rs15m (£337,000) and safe passage to Afghanistan.

Troops rushed into the embassy after an explosion rocked the building. Pakistani officials had been negotiating with the gunmen to free the remaining hostages.

The men hijacked a schoolbus carrying 67 students and seven teachers at the weekend and released many of the hostages a few hours later.

The incident was the first of its kind involving Afghan citizens during the 15 years since the Afghan refugees have been arriving in Pakistan.

NEWS IN BRIEF

Iraqi oil team invited to Paris

Two French companies have invited a high-level Iraqi oil team to Paris, the first such formal invitation by a Western country since the 1991 Gulf War, the Middle East Economic Survey (MEES) said yesterday.

Iraq had accepted the invitation – issued by Total and Nationale Elf Aquitaine – and would send Senior Undersecretary Taha Humud as delegation leader.

MEES said the two companies had held many meetings in Baghdad since mid-1991 on developing the two giant fields of Nahr Umar (Total) and Majnoon (Elf) but more negotiations would be needed before draft agreements were finalised.

No agreement can be signed until U.N. sanctions are lifted.

Malaysian poll row resolved

A confrontation between the federal Malaysian government and a local political party in the east Malaysia state of Sabah came to an end yesterday with the appointment of Mr Joseph Pairin Kitinhan as state chief minister, writes Kieran Cooke.

Mr Pairin's United Sabah Party (PBS) won state elections at the weekend but Mr Pairin had to wait for nearly 36 hours outside the local governor's residence before being sworn in.

Yemen army units clash

Fighting between soldiers from rival army units broke out in Yemen yesterday following the signing of a weekend peace pact by its estranged leaders, agencies report from Amman.

The incident took place in Abyan province after northern soldiers at a checkpoint stopped a southern officer on his way from Aden to Abyan. Yemeni officials in Jordan said four people were killed in the clash.

Australia shifts defence priority

Australia yesterday announced a realignment in defence priorities, shifting the emphasis towards its south-east Asian neighbours and away from old Cold War priorities, Reuter reports from Canberra.

"The clear message of this review is that Australia's security, like its economic future, lies in and with our region." Mr Robert Ray, defence minister, said.

Secrets act trial resumes

By Kieran Cooke in Singapore

The trial of five men charged with breaking Singapore's official secrets act by disclosing a government economic growth figure before it was officially released resumed yesterday, with the defence presenting its case.

The five, two financial journalists and three local economists, are accused of colluding in the disclosure of the 4.6 per cent second-quarter growth figure for 1992 which was published in the Singapore Business Times newspaper.

Among the accused are Mr Patrick Daniel, editor of the Business Times, and Mr Tharman Shanmugaratnam, director of the economics department at the Monetary Authority of Singapore (MAS), Singapore's de facto central bank. The trial, which ran for 26 days last year before being adjourned, has greatly interested Singapore's financial community.

The judge has given the defence five weeks to present its case. If found guilty, the five accused face a maximum two years' jail or a S$2,000 (£860) fine or both. They are on bail of S$5,000 each.

Singapore suffers an embarrassment of riches

Growth is greater than is comfortable, write Alexander Nicoll and Kieran Cooke

Not many finance ministers can feel as comfortable preparing their annual budget as Singapore's Mr Richard Hu. Mr Hu's budget address tomorrow will be set against the background of a far stronger economic performance last year than had been expected.

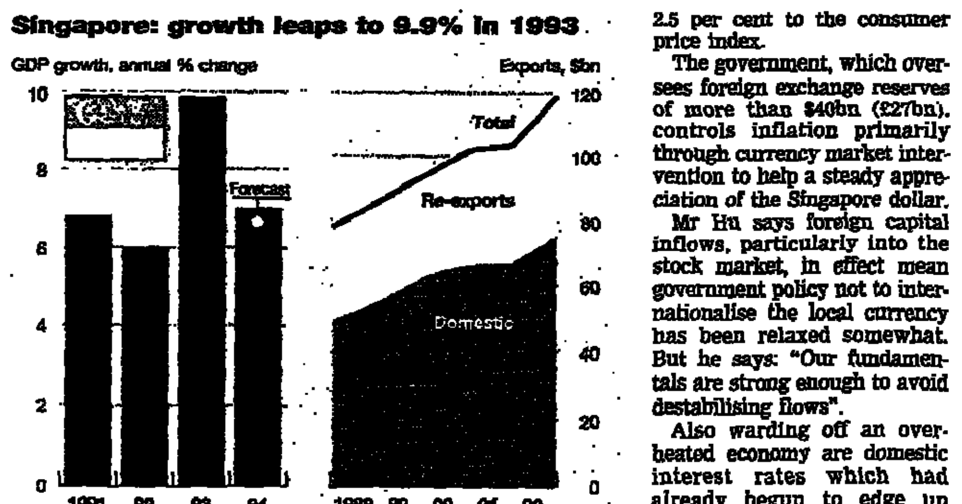
According to official figures published yesterday, the Singapore economy grew 9.9 per cent in 1993, the biggest increase since 1988, and a sharp acceleration from the 6 per cent growth of the previous year.

Fiscal deficits are virtually unknown in Singapore, and there is little in the country's recent economic performance or near-term prospects which could give Mr Hu cause for serious concern.

The surge in growth last year was due mainly to a big increase in activity in the financial services sector, with rapid bank-loan growth combined with a sharp increase in stock market turnover. The financial and business services sector grew 13 per cent last year, more than double the growth rate in 1992.

But there was also an unexpectedly big jump in manufacturing activity, with overall manufacturing output increasing 9.8 per cent in 1993 against 2.5 per cent in the previous year. Singapore's electronics industry, which produces half the world's output of disk drives as well as many other computer peripherals, benefited from the US recovery and a computer price war in many export markets.

Singapore: growth leaps to 9.9% in 1993



Source: Singapore government

Mr Hu says last year's economic growth rate was "somewhat higher than is comfortable" and is forecasting expansion of 6-8 per cent this year; economists generally expect 7-8 per cent.

In spite of the high growth, the government would appear to have little to worry about on the inflation front: Singapore's consumer price index rose 2.4 per cent last year, a marginal increase on 1992. This year will see a one-time blip in inflation caused by the introduction of a 3 per cent general sales tax (GST) in April, expected to add 2.5 per cent to the consumer price index.

The government, which oversees foreign exchange reserves of more than $40bn (£27bn), controls inflation primarily through currency market intervention to help a steady appreciation of the Singapore dollar.

Mr Hu says foreign capital inflows, particularly into the stock market, in effect mean government policy not to internationalise the local currency has been relaxed somewhat. But he says: "Our fundamentals are strong enough to avoid destabilising flows".

Also warding off an overheated economy are domestic interest rates which had already begun to edge up before the US Federal Reserve tightened the monetary reins earlier this month, a factor expected to dampen domestic economic activity during the year.

Few surprises are expected in tomorrow's budget. Mr Hu had already announced the introduction of GST this year. Economists say the finance minister is likely to cut corporation tax at some point within the next few years from the present level of 27 per cent to the government's stated target of 25 per cent. Mr Hu may also raise employers' contributions to the central provident fund, the government's forced savings system.

However, Mr Hu does admit concern about wage increases in Singapore's large public sector and therefore may be reluctant to increase employers' costs further. The need for Singapore to remain competitive is a constant government theme. Singapore, with only 2.8m people, faces severe labour shortages. Another constraint is a shortage of land.

Surrounding countries with lower wage rates are challenging the island republic's export competitiveness. Ministry of Trade and Industry officials say last year saw an improvement in productivity and a drop in overall unit labour costs: but Singapore has to keep climbing the technological ladder to gain advantage over its neighbours.

In spite of high costs relative to other rapidly-growing Asian countries, Singapore's efficiency and infrastructure continue to attract substantial new investment, particularly from US companies which committed S$1.45bn (£625m) or 37 per cent of new manufacturing investment last year, mainly in the petrochemical, electronics and medical supplies industries.

Singapore's fortunes remain closely linked to economic activity in the US, which accounts for nearly a quarter of domestic exports. Singapore's exports to the US grew 12 per cent last year, while Malaysia overtook the EC as the island republic's second biggest export market.

Seeking to turn its expertise and other countries' cheaper labour costs to its advantage, the government has invested several hundred million dollars in its programme to assist local companies in investments abroad, principally in industrial parks such as at Wuxi in China, Bangalore in India and Batam island in Indonesia.

In a country where carefully worked out policies are repeatedly driven home by a chorus of ministers and officials, the drive to "regionalise" the local economy is likely to be a theme of Mr Hu's budget. He has ample resources at his disposal, though Mr Philip Yeo, chairman of the Economic Development Board which is spearheading the policy, warns that Singapore will not be a "regional Father Christmas" and will ensure that every project earns a good return.

Government blames restructuring of country's private sector

Mexico economic growth at seven-year low

By Damian Fraser in San Cristóbal de las Casas

Mexico's economy grew 0.4 per cent last year, the lowest rate for seven years, and far short of the November government forecast of 1.1 per cent, government statistics show.

For the first time in the administration of President Carlos Salinas, economic growth has been outstripped by population growth.

The manufacturing sector shrank by 1.5 per cent from 1992, with the textile industry declining by 7.4 per cent, printing and publishing by 6.4 per cent, and timber by 10.1 per cent. The service and agricultural sectors grew by 0.9 per cent and 1.8 per cent respectively.

The government has blamed the low overall growth and recession in manufacturing on the restructuring of Mexico's private sector, as companies closed or reduced operations to compete under free trade.

However Mexico's strong exchange rate and high real interest rates and the government budget surplus have made the process of restructuring deeper and more costly than had been forecast.

The 0.4 per cent growth for the year would imply a growth of 0.15 per cent for the fourth quarter, suggesting that the economy has recovered from the third quarter, when it contracted by 1.1 per cent.

The government also announced that Mexico's trade deficit fell to $13.6bn (£9.3bn) in 1993, a 15.1 per cent reduction on the previous year. The low economic growth helped slow growth in imports to 5.2 per cent, to reach $65.4bn in total. Importa of capital goods fell by 4.7 per cent, an indication of the difficulties faced by the private sector last year.

Mexico's exports reached $51.8bn last year, an increase of 12.2 per cent. Manufacturing exports, which account for about half the total, increased by 17.7 per cent.

Government starts talks with Zapatista rebels

The Mexican government and 19 delegates from the rebel Zapatista Army of National Liberation began peace talks yesterday in the hope of ending the nearly two-month conflict in the southern state of Chiapas, Damian Fraser writes.

The Zapatistas were led by Sub-Commandant Marcos, their military strategist, and the government by Mr Manuel Camacho, President Carlos Salinas's peace envoy. The two sides, meeting in the cathedral of San Cristóbal de las Casas, had not given any indication by yesterday morning of how much progress had been made.

Mr Camacho insisted in a communiqué on Sunday that the substantive talks excluded national issues, contrary to the apparent aspirations of the rebels. However, he left some room for negotiation, saying: "Certainly there will be a discussion on national issues and we also know that the solutions to some local problems have national implications".

With many towns in southern Chiapas divided between Zapatistas and supporters of the government, the rebel demand for political autonomy for Indians in Chiapas is also likely to meet resistance.

Rich landowners, and some of the estimated 20,000 mainly Indian people who have fled their homes since the New Year uprising partly in fear of the Zapatistas, will probably oppose any autonomy deal that gives political power to rebel leaders.

The 20,000 refugees are living in makeshift camps, and are being fed by local government officials and charity organisations. Mr Philip Templin, of the Baptist Aid Committee working in the town of Las Margaritas, says the conditions in the camps were good, with no shortage of food or medical supplies. However, the refugees have left their towns deserted and abandoned their livestock and farms, and are anxious to return.

Trying hard but could do better, says World Bank

Report for the 1990s calls for overhaul of the legal system and significant reforms in other areas, writes **Damian Fraser**

For nearly a decade Mexico has been the model pupil of the World Bank, following its advice on economic policy and receiving in return subsidised loans of $2bn (£1.3bn) a year, more than granted to any other middle-income country.

The bank played a crucial part in Mexico's decision to join Gatt in 1986, the restructuring of its external debt in 1989, and the redesign of environmental policy two years ago. Bank economists were powerful and successful advocates of the liberalisation of Mexico's agriculture sector.

The bank has now prepared a restricted circulation report on the economic challenges Mexico faces in the 1990s. While largely praising economic policy to date, the bank calls for a sweeping overhaul of Mexico's legal system and important reforms in the labour and financial sectors, environmental policy, and provision of public infrastructure.

The bank is worried about Mexico's slow economic growth and low savings rate, which it believes makes its economy over-dependent on foreign capital. It concludes that the high current account deficit and modest improvements in productivity "raise concern about the sustainability of economic growth".

The low economic growth is largely attributed to the "substitution of foreign goods for domestically produced goods". This it believes is a result of the low competitiveness of Mexican companies, partly because their old technologies have become obsolete and new investment has replaced existing capital stock rather than adding to it.

Specifically, the bank calls for further economic reform in four areas to remove constraints on economic growth.

- The report is highly critical of Mexico's legal system, concluding that "weaknesses in the commercial law framework and the mechanism for the resolution of disputes constitute important constraints to private sector development."

The report recommends new laws on secured transactions, which would make it easier for banks to take possession of property when a borrower has defaulted. Such a reform should lower Mexico's high financing costs, a principal complaint of Mexican companies.

The bank says "the resolution of disputes through the courts is a lengthy, costly and unpredictable process". It blames this in part on an "unacceptable level of competence and integrity of the judges, especially in the local court system".

Suggestions for reform are vague, but include a national training institute for judicial personnel and the establishment of an authentic civil service in courts at state and federal levels. It proposes reforms to encourage the provision of binding private-sector dispute resolutions.

- The bank says Mexico faces two key labour challenges – increasing the quality of its work force, and establishing a flexible labour market.

On the first, the report says the problem "is the low and disparate quality of the educational system, and especially of basic education"; the failure of Mexican companies to train workers sufficiently holds back productivity growth.

Mexico's labour market is regulated by antiquated labour law that makes it costly to dismiss workers, exhorts companies to promote according to seniority rather than ability, and makes it difficult to move workers between jobs, the bank reports.

However, the bank says the main problem is not exactly the law but agreements companies have reached with unions. The law allows for some flexibility, but how much depends on the ability of management to win concessions from the unions.

- On infrastructure, the bank approves of the government's move to let the private sector build and finance toll roads, electricity plants, water systems and provide telecommunications, but is critical of the way the policy has been carried out.

The bank calls for more competition, or regulation where that is not possible, in the provision of infrastructure. It says the manner in which toll road concessions have been granted needs to be improved, further deregulation and privatisation is needed in railways, and an independent regulator should be established in both telecommunications and the electricity market to prevent monopoly abuses.

- On environmental policy, the bank describes the government's threat of closing polluting plants as costly, ineffective and arbitrary, since it gives the government too much discretion in responding to businesses' environmental violations.

Instead it says the government should rely more (as it is now doing) on mandatory fines for lack of compliance. It recommends economic incentives, such as taxes on polluting inputs and outputs and higher prices on natural resources, rather than command and control regulations, as a way of improving the environment.

Overall, the World Bank says Mexico has been a pioneer in private-sector-led development, and gives the government high marks for stabilising the economy. However, it evidently believes the government still has to draw up and enforce laws that foster competition and efficiency in the private and public sector and allow benefits of economic reform to filter down to consumers.

Drug cuts transfer of HIV virus to babies

Wellcome, the British pharmaceutical company, said yesterday that a new study found that its drug AZT cut by two-thirds the transmission of the HIV virus from pregnant mothers to their babies. Reuter reports from New York and London.

The transmission rate was 8.3 per cent when mothers and babies both received AZT, marketed by Wellcome as Retrovir. The rate was 25.5 per cent among mothers and babies receiving placebos.

Wellcome said the US study had been halted and investigators were now offering Retrovir to all pregnant women and babies who were participating in the study.

The company plans to submit a package to the US Food and Drug Administration this week seeking approval for the use of the drug in reducing mother-to-baby transmission. It will also pass the data on to regulators in other countries.

Each year in the US an estimated 7,000 women infected with HIV (human immunodeficiency virus) give birth. About 25 per cent of their babies are infected with the virus.

The study was sponsored by the US National Institute of Allergy and Infectious Diseases, in collaboration with the National Institute of Child Health and Human Development and Institut National de la Santé et de la Recherche Médicale of France.

Wellcome said investigators found that both mothers and babies tolerated the drug well, with no significant short-term side effects apart from reversible mild anaemia in some infants.

Dr Harold Jaffe, an epidemiologist and HIV specialist at the US government's Centres for Disease Control and Prevention in Atlanta, told the New York Times the study was "the first indication that mother-to-child transmission of HIV can be at least decreased, if not prevented".

Canadian budget will take only small steps

The Liberals' real new broom is unlikely to start sweeping until 1995, reports **Bernard Simon**

Canada's Liberal government has worked hard in its four months in office to prove that a new broom is sweeping through Ottawa. From promises for a speedy overhaul of the social-security system to prime minister Jean Chrétien's modest sedan, the Liberals have tried to project a fresh, down-to-earth approach.

The finance minister, Mr Paul Martin, is expected to try to build on that theme when he presents his first budget in the House of Commons this afternoon.

Mr Martin's economic assumptions and deficit forecasts are expected to be more conservative than the perennially optimistic projections by his Progressive Conservative predecessors over the past nine years.

The minister will undoubtedly point to a series of pre-budget "town hall" meetings, held across the country over the past month, as proof that he has listened to the concerns of Canadians from all walks of life.

But anyone hoping for an imaginative new plan to achieve the Liberals' twin goals of cutting the deficit and creating jobs is likely to be disappointed.

Judging from hints dropped by Mr Martin and his officials, the main elements of today's budget will follow much the pattern set by the Tories. On the spending side, the minister is expected to extend restraint on civil-service wages and announce further defence cuts.

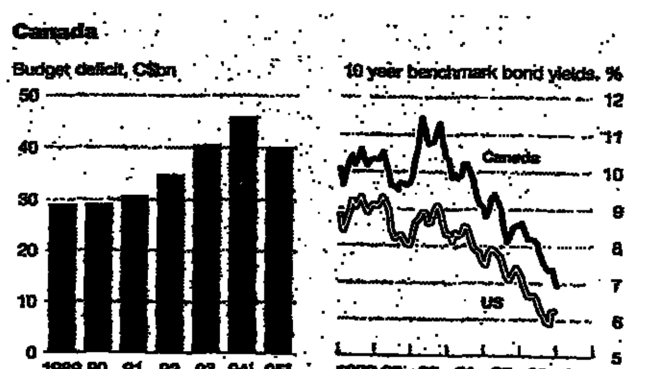
Despite the Liberals' criticism of Tory tax increases and signs that Canadians' tolerance of their heavy tax burden is wearing thin, Mr Martin plans to squeeze more revenue from taxpayers. Among the possible casualties are the tax-free capital-gains exemption, currently set at C$100,000 (£51,020), and a range of business expenses.

Mr Martin has indicated that he will aim for a budget deficit of C$39bn-C$40bn for the year to March 31 1995. That is down from the C$45bn estimate for the present fiscal year, but still far above the Liberals' election promise to cut the deficit to 3 per cent of GDP, equal to about C$22bn in 1994/95, by the end of their third year in office.

While fewer tax breaks and the modest deficit cut will come as a disappointment to the business community, the word from Ottawa is that the main purpose of today's budget is to set the stage for bolder measures in 1995.

The Liberals have promised to draw up proposals over the next 12 months to overhaul the social security system and to conclude a new agreement on transfers to the 10 provinces of responsibility for health, social welfare and education.

With these two envelopes making up close to 80 per cent of total federal spending, no meaningful assault on the deficit is possible until the reforms are in place.



¹Estimate, ²forecast. Fiscal years to March 31. Source: Datastream

Financial markets are expected to take today's budget in their stride. "There's no reason for anyone to be surprised," says Mr Ted Carmichael, senior economist at Burns Fry, a Toronto securities firm.

Domestic and foreign investors are more unsettled for the time being by Ottawa's monetary policies. Uncertainty on this front has been heightened by three recent developments: the first rise in US short-term interest rates in five years, the appointment from February 1 of a new governor of the Bank of Canada, and Mr Martin's tendency to ruminate about interest rates in public.

Mr Martin and the new bank governor, Mr Gordon Thiessen, have a strong incentive to keep Canadian interest rates falling. Canada is pulling out of recession far more slowly than the US. The economy is growing at an annual rate of only about 3 per cent, compared to more than 5 per cent in the US.

The traditional gap between US and Canadian interest rates is already at its narrowest in more than a decade. The gap on three-month Treasury bills is only 33 basis points, compared to a peak of 600 points in early 1990. The spread on 30-year bonds is currently 80 basis points.

The question in the minds of traders, investors and policy-makers is whether there is room for this gap to narrow still further, or even to disappear, without causing the Canadian dollar to nosedive.

Inflation in Canada is expected to be no more than about 1 per cent this year, about half the rate in the US. Even so, Mr Martin sent the dollar into a spin this month when he suggested that the rise in US rates might bring Canadian rates below those south of the border. His comments were immediately followed by a rise in short-term rates to protect the currency.

Bank of Nova Scotia economists noted in a recent commentary: "The central bank may have little choice but to sanction higher rates and spreads if currency pressures continue."

Despite the impressive inflation performance, the markets have yet to take the measure of Mr Martin and Mr Thiessen. Although the new governor is reputed to be a dedicated inflation fighter, he has yet to establish the credibility of his predecessor, Mr John Crow.

Similarly, Mr Martin and his counterparts in the provinces (whose combined deficits are even bigger than the federal government's) have not convinced the markets that their deficit-cutting actions will match their words.

Until they do, economists predict that Canadian interest rates will reach US levels only at the expense of a further slide in the Canadian dollar.

NEWS: WORLD TRADE

Warsaw wants London flight row resolved for summer

Poland eager to settle UK air dispute

By Christopher Bobinski in Warsaw and Anthony Robinson in London

Poland is seeking a quick end to the long-running dispute between British Airways and Lot, the Polish state-owned airline, which has blocked all direct flights between Poland and the UK since October 30.

"We've lost the winter, that was clear when we failed to get a deal by Christmas to catch the seasonal traffic, but we now want to resolve the dispute in time for the summer season starting in April," says Mr Boguslaw Liberadzki, the Polish transport minister.

The dispute arose out of the Polish government's refusal to allow British Airways to double its flights to Warsaw from seven to 14 a week. BA wanted to introduce an afternoon flight from London which would return from Warsaw in time for transit passengers to transfer onto flights to North American and other destinations. Lot feared that this would cream off passengers from its own transatlantic flights serving the large Polish communities in Chicago and other cities.

The two airlines, backed by their respective government agencies, have ignored the protests of thousands of business and other passengers who have been obliged by the dispute to change aircraft at other north European airports, doubling travel time between the two countries.

Mr Liberadzki says he reached an "understanding" with Lord Caithness, the UK minister who was dealing with the matter until he left the government earlier this year. "Both sides agreed they should emerge from the clash without losing face with the number of flights by both carriers gradually increasing to 14 a week over three years," he said. The UK minister now responsible for resolving the dispute is Lord McKay of Ardbrecknish.

The dispute between BA, which last week announced a threefold increase in profits to £85m for the third quarter of 1993, and Lot, which is being prepared for privatisation, reflects a tough battle by international airlines for a share in the fast-growing east European travel market.

BA, whose proposed Air Russia joint venture is currently holding fire, has discarded all previous pooling arrangements with east European airlines, with the exception of Aeroflot, and has held aloof from the kind of tie-ups with east European airlines which led Air France to take a stake in CSA, the Czech airline, and Alitalia to buy a stake in Malev of Hungary.

Instead BA opted to double its flights into Prague, Budapest and Warsaw. It obtained agreement from the Czech and Hungarian authorities, increasing the competitive pressure on CSA and Malev and helping to fill seats on its owntransatlantic and other flights with transit passengers from central Europe. BA's hopes to achieve the same results in Poland, however, came up against stiff resistance.

Morale at Lot has improved in recent months and so has profitability. The company yesterday reported a Zl 62.9bn ($3.4m) profit for 1993 after a Zl 84.1bn loss in 1992. It has managed to sell all its old Soviet aircraft and now runs an all-western fleet of three Boeing 767s, eight 737s and five Italo-French ATR 72s, leaving it with total debt of around $1bn.

First steps to 'green the Gatt'

Frances Williams on preparations for a negotiating programme for trade, environment and sustainable development after Uruguay

Talks on a work programme to tackle the nettlesome issue of world trade and the environment are starting to gather momentum after a slow start. Further impetus may come from a special session today of the General Agreement on Tariffs and Trade's governing council to discuss the matter.

Though ministers are due to approve the work programme in Marrakesh in April, governments appear to have only a vague notion of what should go into it.

The 118 nations taking part in the Uruguay Round of global trade talks agreed in December that a comprehensive work programme on trade, environment and sustainable development should be put to ministers when they meet to sign the final package of trade-liberalising accords.

Informal consultations since then suggest broad agreement on the need to set up a committee to carry out the work. However, its mandate, and lifespan, remain controversial.

No one disputes the need for Gatt, and its successor, the World Trade Organisation, to confront the way in which trade and environment policies interact and may conflict. There is nevertheless a wide gulf between the views of environmentalists, who favour changing Gatt rules to facilitate the use of trade restrictions for environmental protection, and those of developing countries who fear that moves to "green the Gatt" may spread a virulent new form of protectionism.

There has thus been strong resistance among developing countries to presenting the Marrakesh meeting with a fixed agenda which is bound, they believe, to reflect rich-world concerns. Instead, they want the Marrakesh declaration to confine itself to approving the principles guiding the committee's work and for the committee to decide its own agenda in its own time.

"Creating a committee on trade and the environment will already be a big step," says one influential developing country Gatt ambassador. "I don't think we should try to prejudge what the committee should discuss."

The principles underlying the work programme were outlined by Uruguay Round participants in a statement last December. They include the need to promote sustainable development, preserve the open trading system and avoid unilateralism while ensuring the responsiveness of the trading system to environmental objectives.

"There should not be, nor need be, any policy contradiction between upholding and safeguarding an open, non-discriminatory and equitable multilateral trading system on the one hand, and acting for the protection of the environment, and the promotion of sustainable development on the other," the statement says.

Environmental groups, for their part, fear that leaving the committee to devise its own work programme will be a recipe for delay and issue-dodging. More than 40 groups from around the world last week backed proposals calling for an "action-oriented" agenda aimed at reaching recommendations within two years.

Conscious of the sensitivities of developing countries, the proposals stress support for sustainable development and down-play the role of trade restrictions. At the same time, however, the Gatt/WTO is urged to address the two issues which most raise third world hackles.

The first relates to so-called processing and production methods (PPMs). Environmentalists want Gatt rules changed to allow discrimination between identical products produced in different ways. This would, for instance, validate US trade curbs, now judged Gatt-illegal, which ban imports of tuna caught in ways which kill too many dolphins.

The second concerns "eco-dumping" – the competitive advantage allegedly gained by countries with low environmental standards. Mr Charles Arden-Clarke of the WWF-World Wide Fund for Nature insists that there is no intention to oblige poor countries to adopt the high environmental standards of rich ones.

Rather, he says, the issue turns on the more general need to make product prices reflect full environmental costs. But the suspicion remains that in practice "eco-dumping" will serve as a new pretext for protectionism aimed primarily at poor countries.

Other agenda ideas are less controversial. For the last two years, a Gatt working group chaired by Mr Hidetoshi Ukawa of Japan has been discussing the relationship of Gatt rules with the trade provisions of multilateral environmental agreements, the need for transparency in trade and environmental policies, and the vexed question of eco-labelling and its impact on trade.

A white-sided dolphin drowned in a driftnet Greenpeace

While the group did not seek to reach conclusions, the ground has been well worked over. These areas are likely to be priority items for the new committee even if they do not appear specifically in the work programme approved in Marrakesh.

The US, despite its high-profile campaign for early Gatt talks on trade and the environment, has no plans to draft its own agenda proposals. Mr Timothy Wirth, environment adviser to the US secretary of state, said recently the main US priority was creating a permanent committee to examine the trade/environment link.

Washington and like-minded European governments may thus prefer to play safe and see the committee safely established in Marrakesh before the real haggling begins.

Japanese airline applies to slash fares

By Paul Abrahams in Tokyo

A price war broke out yesterday in the Japanese airline industry when All Nippon Airways, Japan's second largest airline by turnover, asked the Japanese Ministry of Transport to allow it to slash international economy fares by up to 55 per cent.

The move followed a request earlier this month from Japan Air Lines, ANA's main rival, to cut fares to the US and Honolulu by up to 50 per cent.

ANA said it wanted to reduce its economy fares to Europe by an average of 41 per cent, although the maximum cut would be as great as 55 per cent. It also wanted to offer a 44 per cent reduction for the standard fare to the US east coast. JAL said it was looking to cut fares to Asia and Europe, but had not yet decided by how much.

The ministry has the right to set maximum and minimum fares. The new tariffs, if approved, would be available from April 1.

The moves represent urgent attempts by both Japanese airlines to boost their passenger loads. They are suffering from poor demand, caused by Japan's worst recession since the second world war, fierce competition from other airlines, and high cost bases.

International routes have suffered particularly badly. ANA's international loading factor – the proportion of available seats filled – fell from 69.7 per cent during the 1992 financial year to 63.2 per cent during the six months to last September. Meanwhile JAL's international loading factor fell from 70.9 per cent during the six months to September 1992 to 66.6 per cent for the same period last year.

Meanwhile, ANA said it was suspending its joint flights with Sabena, the Belgian airline, between Brussels and Tokyo's Narita airport. It also revealed plans to set up routes from the new airport at Kansai to Shanghai, Beijing, Dalian and Tsingtao in China, as well as Seoul. The company said it aimed to set up an Asian hub at the airport, due to be opened in September.

ANA forecast it would increase the number of international passengers carried during the 1994 fiscal year by 6 per cent to 1.6m.

McDonnell Douglas in engine venture

By Paul Betts in Singapore

McDonnell Douglas of the US is expected to select BMW Rolls-Royce for a joint aero-engine venture between the German car maker and the UK aero-engine group to supply the power plant for its new MD-95 100-seater airliner.

Mr Richard Turner, Rolls-Royce's group marketing director, yesterday said at a Financial Times Asia Aerospace Conference in Singapore that "detailed discussions" with the US manufacturer were under way to supply a more powerful version of the BR-700 engine being developed by BMW Rolls-Royce for the new MA-95 twin-engine aircraft.

The decision is a setback for Deutsche Aerospace, whose MTU engine subsidiary in partnership with General Electric and Pratt & Whitney of the US and Snecma of France, are proposing to develop a rival engine to the BR-700.

BMW Rolls-Royce is also proposing the BR-700 to re-engine older McDonnell Douglas DC-9 twin-engine airliners. It has already been chosen by Gulf Stream of the US to power its GV, the business jet, and by Canadair for its Global Express long-range corporate jet. But the proposed deals with McDonnell Douglas would enable the Anglo-German venture to break into the much bigger regional jet airliner market.

Mr Turner said the first full BR-700 engine would start testing later this year, although the engine core had already run successfully.

Mr Robert Hood, president of the Douglas Aircraft Company, said the US company would soon start marketing to potential airline customers the MD-95, a derivative of the company's 130-seat MD-90 and the larger MD-80. All these twin-engine airliners are derivatives of the older DC-9s.

Aircraft makers expect the market for 100-seater regional jets to show strong growth in the next 15 years.

● Saudi Arabia's decision to award a $6bn contract for commercial jets to Boeing and McDonnell Douglas will cost the European aerospace industry up to 20,000 jobs, Mr Jean Pierson, managing director of the Airbus consortium, said in Singapore yesterday.

Financial regulator warns over eligibility

By Alison Smith

Many companies in the financial services industry could be prevented from doing business by the proposed new watchdog intended to give greater protection to private investors.

The Personal Investment Authority, which yesterday published details of how it intended to work, gave a clear warning that companies approved by present regulators would not be guaranteed acceptance under the new regime.

Mr Joe Palmer, the authority's chairman, said yesterday: "Though we'll be relying on data from existing regulators, the standards and decision-making are the PIA's."

Ms Colette Bowe, PIA chief executive, emphasised the onus would be on companies to show why they should be admitted to the regulator, rather than on the regulator to admit them.

Up to 6,000 individuals and companies, from small independent financial advisers to large banks, building societies and life companies, could be eligible for membership. The authority expects to be operational in mid-July this year, but still faces resistance from some parts of the financial services industry, including some leading life insurance companies.

The PIA's hand in overcoming industry opposition was strengthened yesterday by a statement from the Securities and Investments Board, the City's chief regulator, both that it was "minded to recognise" the PIA as the new watchdog for private investors, and that it intended to end its recognition of present retail regulators.

This means that members of Lautro, the self-regulatory organisation for the life insurance industry, and Fimbra, the self-regulatory organisation for independent financial advisers, who have misgivings about the PIA will not be able to remain under their present regulators indefinitely.

Instead, companies will have to choose between being regulated by the PIA or directly by the SIB, which has hinted that it might "sub-contract" this task to the PIA.

Publication of the PIA's prospectus met a cautious reaction from the financial services industry, but was largely welcomed by existing regulators. Lautro highlighted the improvements in the procedures for dealing with complaints against members and the "risk-based" approach to regulation. The Consumers' Association called the PIA the "last chance for self-regulation" and urged the new body to "ratchet up the threshold of minimum competence". The PIA has faced some criticism for deciding that people working in the financial services industry should make up 10 of the 21 board members.

Mr Palmer insisted yesterday that the plans still amounted to self-regulation, and that the board balanced "both the interests of the membership and the public interest".

Clarke defends conduct on Iraq trial documents

By Jimmy Burns

Mr Kenneth Clarke, the chancellor, told the Scott inquiry yesterday he remained convinced he had served the national interest by attempting to restrict information on Britain's intelligence services from the Matrix Churchill trial over exports to Iraq.

Mr Clarke said that while serving as home secretary he had signed public interest immunity (PII) certificates that prevented intelligence officers from providing certain types of information. He said he did so after satisfying himself that full disclosure would have "damaged" Britain's intelligence services and put at risk some of its operatives.

He told the inquiry: "Once I decided that this type of information, if disclosed, would be damaging to the intelligence services and it was not in the public interest for this to be in the public domain, then . . . I had a duty and still think I have to claim public interest immunity . . ."

Mr Clarke has threatened to resign if he is criticised by the judge's final report. Yesterday, in a characteristically robust performance, he refused to accept any personal culpability and insisted that that the PII certificates had not prejudiced the defence in the Matrix Churchill trial.

But Labour's trade and industry spokesman Mr Robin Cook said Mr Clarke's evidence raised new questions about the conduct of other ministers and the government's legal advisers.

Mr Clarke said he considered that as minister he had discretion as to what evidence should be covered by the PII certificates. Other ministers and government lawyers have argued that ministers are obliged to sign such certificates, and that it is for the attorney-general to decide whether he will sanction them. Mr Clarke said he had in previous cases argued successfully against government lawyers.

But he told the Scott inquiry that Mr Michael Heseltine, as trade secretary, had signed a PII certificate in the Matrix Churchill trial on the advice of the attorney general Sir Nicholas Lyell that all ministers were duty bound to do so.

Mr Clarke said that Mr Heseltine had been "uneasy" about the PII certificates because it appeared to aim to suppress a much wider range of information on government activities than was justified.

Mr Heseltine's PII certificates covered advice to ministers from officials, and communications between ministers. The defence in the Matrix Churchill trial alleged that the documents proved that three businessmen charged with breaching rules over exports to Iraq had done so with the approval of government. One of the businessman had been recruited by the intelligence services.

The trial collapsed after the defence convinced the trial judge that the bulk of the documents covered by PII should be disclosed. Mr Clarke said he had "never known" of a PII being sought by a government minister to "seek a conviction of an innocent man".

Labour's employment spokesman John Prescott yesterday defended his party's discussion paper, Financing Infrastructure Development, which argues that there is scope for much greater use of private finance in the provision of transport infrastructure, inner city redevelopment, training, housing, childcare and defence diversification. The paper also calls for "imaginative" financing solutions, such as transferred planning gain and regulatory changes in return for investment Picture: Lydia van der Meer

Tax increases 'set to slow recovery'

By Graham Bowley

Tax rises will slow the pace of the UK recovery, but not for 12 to 18 months, says a study from Britain's National Institute of Economic and Social Research.

In its latest economic review, the institute says growth will be supported over the next 12 to 18 months by the impact of lower interest rates and the devaluation of the pound that has occurred since 1992. These factors will outweigh the effects of the tax increases. From then on the burden of higher taxes will dominate, assuming there is no relaxation in policy, and the influence of taxes will continue to be felt for some "considerable time to come".

The institute predicts that the economy will grow by 2.7 per cent this year, just ahead of government forecasts. But growth next year will slow to 2.6 per cent, below the government's prediction of 2¾ per cent, and growth is then predicted to drop towards 2¼ per cent, significantly lower than the chancellor's medium term projection of 3 per cent.

Inflation is forecast to be running at an annual rate of 3.7 per cent by the end of this year and is expected to rise to 4.6 per cent by the end of 1995, well outside the government's target range of 2-4 per cent. The institute sees interest rates being cut to 5 per cent in the second quarter of this year, possibly in April to coincide with the tax increases, but then rising to 6½ per cent in the medium term to counter the rise in inflation.

The institute finds some reasons to be optimistic about the state of the UK economy. In particular, productivity is rising unusually quickly and wages and prices have shown an unusually subdued response to the sharp fall in the exchange rate. The institute says the UK has made improvements in economic efficiency. It says "in some industries a better performance and use of resources is obvious".

It is this improvement in efficiency, along with a shift in policy priorities towards greater price stability, which has given the UK an inflation prospect which, it says, now compares favourably with those of other countries.

Unemployment will level off to around 2½m, a "disappointingly high figure", with a considerable change towards part-time employment and the majority of these part-time jobs being filled by women.

Britain in brief

MPs vote against death penalty return

MPs rejected a demand for the return of hanging for all murderers aged over 18 by a 244 majority (403-159) in a free vote in the Commons last night.

It was the biggest setback suffered by the pro-hanging lobby since capital punishment was abolished in 1965.

An attempt to amend the criminal justice and public order bill to provide for the reintroduction of hanging for all murders of police officers was defeated by a majority of 197 (383-186).

The votes followed a blunt warning by Mr Michael Howard, the home secretary, that miscarriages of justice could result in innocent parties being hanged.

Mayhew outlines Ulster position

Government representatives have never been authorised to tell republican leaders that Britain intended to withdraw from Ulster, Sir Patrick Mayhew, the Northern Ireland secretary said yesterday.

But he did not deny that an indication to that effect might have been given to Sinn Féin's Mr Martin McGuinness at an unauthorised meeting. The government has acknowledged that two unauthorised meetings did take place.

Sir Patrick's comments came in advance of a BBC television programme last night which claimed a government representative told Mr McGuinness at a meeting three days after last year's Warrington bombing that Britain's long-term intention was to pull out.

Merrett to set up new business

The Merrett Group confirmed yesterday that it could set up a new underwriting business outside of the Lloyd's market, following its withdrawal last year from the active management of Lloyd's syndicates.

The group, which is chaired by Mr Stephen Merrett, the former deputy chairman of Lloyd's, transferred management of its syndicates to rival agents after losing the backing of Names, the individuals whose assets traditionally support the market.

It subsequently restructured its activities around its loss adjusting and insurance services companies and is conducting a sizeable "run off" business – administering the payment of claims on business underwritten by its syndicates in previous years.

"The group has been considering various opportunities . . . However, while the strategy is firm, the structure and constitution of any new Merrett-linked insurance vehicle remain under discussion," it said yesterday.

Plea on worker representation

Britain's trade unions are now "a positive force for change" in making the country's industry globally competitive, a senior union leader said last night.

But workers need the same legal right to workplace representation as their counterparts have in Germany and Japan if industry is to achieve a new partnership between capital and labour, Mr Bill Jordan, president of the AEEU, the UK's largest manufacturing union, said in a speech last night in London.

"A legal right to representation at the place of work would be a giant step towards eradicating the British disease instead of just suppressing the symptoms as successive governments have done. Good legislation is a catalyst for change," Mr Jordan said.

He emphasised this was "not the same thing as a right to recognition for unions", while admitting "if the British tradition were followed, it would generally mean representation by a union".

Mr Jordan said that unions were good for employers because they helped to raise productivity through co-operating in new flexible working as at Rover and Toyota in the UK and removing fears and uncertainties among workers.

Electronic voting rejected

MPs spent a total of 94 hours in the process of voting during the last parliamentary session, Mr Tony Newton, leader of the House of Commons, said yesterday, rejecting Labour calls for the introduction of electronic voting. He said the prospect of electronic voting "would not command universal support".

Mr Tony Banks, Labour MP for Newham North West, had called for voting machines to be introduced on the grounds that it was time the Commons was "dragged into the 20th century".

He was supported by Ms Kate Hoey, Labour MP for Vauxhall, who asked whether it was sensible to devote the equivalent of nearly four days of a parliamentary session in voting procedures.

Church adverts are approved

The Church of England was yesterday given approval for large-scale advertising campaigns to spread the Christian message.

Internal policymakers ruled there was no ethical bar to advertising provided it was used in co-operation with other churches.

They said advertising could be a "creative, effective, appropriate, even amusing" means of getting the Christian message across. But it should only be used as part of an overall communications strategy.

Green rules may force up cost of funerals

By Bronwen Maddox, Environment Correspondent

Funeral costs may rise sharply as crematoria are faced with spending up to £100m in the next few years to meet new environmental rules, funeral managers said yesterday.

Britain's 200-odd crematoria need rapidly to install new incinerators to meet the standards specified in the 1990 Environmental Protection Act.

They also need to burn four to five times as much gas to reach temperatures specified in the new rules. "That hardly makes sense if we're all trying to stop global warming" said Mr Mike Stride, general secretary of the Institute of Burial and Cremation Administration, which represents crematoria managers.

Crematoria, which are currently covered by the Clean Air Act, must comply with the new rules by 1998. The EPA rules are intended to eliminate emissions of dioxins, hydrogen chloride and heavy metals, but crematoria managers said yesterday that the risk of these emissions was tiny.

"There are more pollutants from cars that come to the funeral than from the crematorium" said Mr Graeme Sloan, Lewisham Crematoria manager, yesterday.

Many in the industry are now calling for tighter rules on coffins and their contents to reduce the technology needed to control emissions.

The complaints come against criticism from many sectors of industry that the EPA is adding to industrial costs without achieving adequate environmental improvement.

Mr Stride said: "most places are looking at spending half a million pounds – this will probably cost the industry £100m and that's before the extra gas costs".

A typical crematorium handling several thousand funerals a year might see its gas bill rise from £4,000 a year to £20,000.

Malaysian opposition pressure over Pergau

By Kieran Cooke in Singapore

A prominent opposition figure in Malaysia says he will ask the government of Dr Mahathir Mohamad, the prime minister, for a copy of a 1988 memorandum of understanding signed by Dr Mahathir and Mrs Margaret Thatcher, the then British prime minister, relating to more than £1bn of UK arms sales to Malaysia.

Mr Lim Kit Siang, leader of the small opposition Democratic Action party (DAP) has been the main force behind the setting up of a parliamentary panel to investigate the circumstances surrounding the arms sales.

"The all-party parliamentary committee on parliamentary honour and national integrity will write to prime minister Dr Mahathir Mohamad for a copy of the secret memorandum of understanding signed with Margaret Thatcher," said Mr Lim.

Mr Lim said the panel would also ask for a list of the local agents of the various British companies involved in the arms sales following the signing of the memorandum "to ascertain whether there was any favouritism, irregularity or hanky-panky involved".

The Malaysian parliamentary committee has yet to meet and opposition MP's say it is unlikely that parties who make up the governing national front coalition will agree to being represented on the body.

In Britain, the opposition Labour party has alleged that the 1988 memorandum on defence sales to Malaysia was linked to the granting of £234m of UK aid for a dam project in Malaysia. Such a linkage would be a breach of the government's own aid guidelines.

Two British parliamentary committees are now investigating the affair, while a report into the matter by a committee of the Organisation for Economic Co-operation and Development has been carried out and is due to be published by mid-March.

Pre-paid funeral business faces investigation

By Robert Rice and Motoko Rich

Britain's Office of Fair Trading yesterday launched an investigation into the UK's expanding pre-paid funeral business. The inquiry follows the collapse last month of a Yorkshire-based company running a pre-payment scheme and comes amid mounting concern about the lack of regulation of a business that it said could in time be worth billions of pounds.

In the US, pre-paid funerals are already big business with 40 per cent of funerals pre-paid in some states such as Florida and one in seven pre-paid in the US as a whole.

In the UK the funeral business is worth about £70m at present with pre-paid schemes taking 3 per cent of the market. The OFT estimates 100,000 plans have been sold and expects the market to expand eventually to 150,000 a year.

Sir Bryan Carsberg, director-general of fair trading, said the financial implications of the growth of pre-paid funerals was considerable. If 25 per cent of the UK's 20m people over 50-years-old bought plans at about £1,000 a time the funds would be holding £5bn.

These funds would not be regulated or safeguarded, he said. Proper arrangements were needed to cover the appointment and powers of trustees and the deployment of returns from investing pre-payments. The funds should be kept separately from shareholders' funds.

It was also important to ensure elderly and vulnerable people were not sold schemes they could not afford, and that plans purchased decades before a person's death were honoured or a refund paid to the person's estate, Sir Bryan said.

The four main companies providing pre-paid funeral schemes – market leader Chosen Heritage, Dignity, Golden Charter and CWS, the Co-operative Wholesale Society – offer a variety of plans ranging in cost from about £750 to in excess of £5,000, though the average cost tends to be between £850 and £1,200.

Dignity and Chosen Heritage – which is recommended by the national charity Age Concern – are members of the National Association of Pre-Paid Funeral Plans, and Golden Charter and CWS co-founded the Funeral Planning Council.

Both bodies are working on codes of practice covering pre-paid schemes and demand that their member companies hold pre-paid funeral fees in independent trust funds with separate custodian trustees. Sir Bryan said the OFT inquiry would look at the codes to see if further safeguards were needed.

South-west regroups after military setback

Roland Adburgham assesses three counties' efforts to diversify their defence-dominated economies

Next month staff will move into a wisteria-clad regency building in Chippenham, Wiltshire, as part of one initiative to tackle the biggest challenge facing the south-west of England's economy – diversification away from defence.

The south-west has been identified by the Department of Trade and Industry as having the highest defence dependency in the country. Within that region Wiltshire, Gloucestershire and Avon are seen as highly vulnerable to cuts in defence industries and military services.

The three counties have more than 70 military bases and Ministry of Defence civilian centres, 45 large defence manufacturers and hundreds of suppliers. Defence-related employment is put at 110,000 people or more than 11 per cent of the working population. But in Wiltshire alone, 11 military bases are closing or running down in the next few years.

Faced with this pay-off from the peace dividend, the three counties formed a unique collaboration last year to bid jointly for European Konver funds, which are intended to aid areas suffering from the rundown in defence spending. The bid quoted forecasts that more than 20,000 jobs could be lost in the three counties by the year 2000.

In December the south-west was awarded the largest single tranche of the funds, £2.5m of the total £15.5m UK allocation. Avon, Gloucestershire and Wiltshire won the biggest share in the south-west with a grant of £1.3m.

Mr Richard Brown, chief executive of the Western Development Partnership, an economic forum involved in the bid, says: "We got the money because we had a strategy, but also because of the partnership approach."

The Konver money, which has to be matched locally, is now starting to be allocated to specific projects. Among these is the Chippenham regency building, in which a business development centre is being set up with £100,000 of European funding over two years. The centre's partners include the county council, which helped to buy the building, Wiltshire Training and Enterprise Council, and Workout, a charity which advises redundant MoD staff.

In addition to training and consultancy services the centre will provide help in the take-up of new technology.

Mr Norman Hayes, of Great Western Enterprise, one of the partners, says it will work closely with Chippenham Technical College and in particular aims to support companies employing fewer than 150 people.

"We want them to have the advantage of every possible resource to adapt their products to meet market demand as they swing away from defence," he says.

Other Konver projects in the three counties include feasibility studies for the reuse of redundant military bases and a business-networking scheme. One of the most significant projects, which won a grant of £240,000, is for a technology and innovation management team, co-ordinated by Western Development Partnership.

Its aim is to develop a flow of technology between industry and higher-education institutions. It will offer advice on new product development and marketing and refer small and medium-size companies to colleges or other institutions for help with, for example, product testing. A team of three counsellors will tour companies, providing free advice for up to a day.

One idea is to provide technology and innovation vouchers up to a value of £600. Awarded at the discretion of the counsellors, companies will be able to exchange the vouchers at colleges or research centres to meet half the cost of specialist work and services.

The Konver funding is the first time the three counties have benefited from any government or European-funded initiatives for economic diversification. But, compared with the scale of the task in adapting labour skills and encouraging companies to innovate, there is a belief that Konver is only skimming the surface.

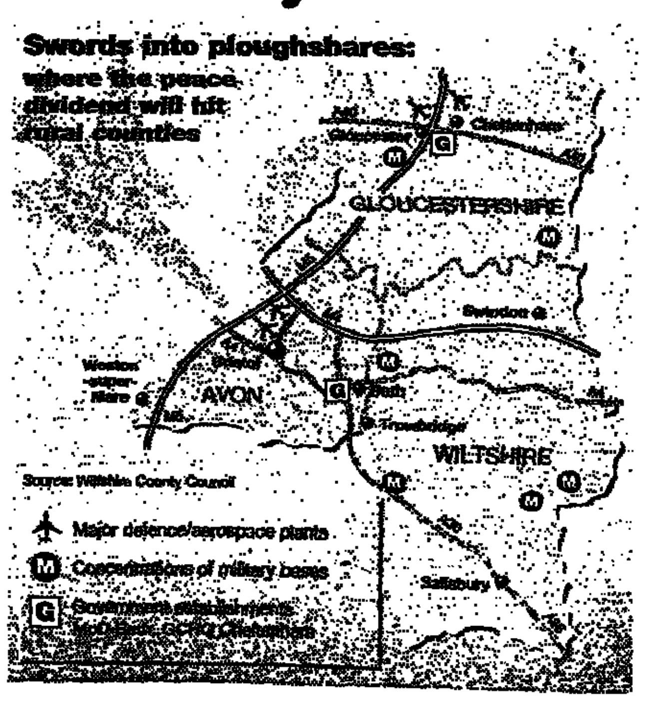
"The amount of money which has been won for this region is welcome but inadequate," says Ms Linda Skinner, director of the Centre for Innovation and Industry at the University of the West of England in Bristol. "We will be pressing hard for more resources to flow.

"Our research shows that, at present, many businesses are not aware that they are defence-dependent, particularly where they are second and third level in a supply chain."

Mr Adrian Kendry, of the university's research unit in defence economics, says: "One senses that the Konver programme is being used by the British government as the lowest common denominator in getting involved in any serious restructuring. While the Konver programme is laudable, it fails to address the magnitude of what is required."

Mr Kendry says the government's commitment to the restructuring of defence-related industry contrasts very unfavourably to federal initiatives in the US, and he is critical of the lack of collaboration between the MoD and the DTI on technology conversion.

"The decline in the manufacturing base and the threat to the technical base is so substantial that the restructuring implied by Konver could be seen as window-dressing," he says.



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For further details, please contact Mark Shires, Joint Administrative Receiver, or Jack Ferguson at Coopers & Lybrand, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ, Telephone: (0622) 672981. Fax: (0622) 682053. Alternatively, telephone the company on: (0843) 590950.

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Dated: 16 February 1994
Signed: J M Iredale and S P Holgate
Coopers & Lybrand
9 Greyfriars Road
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Berkshire RG1 1JG

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Registered number: 2312622

Trade classification: 9530
N RUDDOCK and N H COOPER
Joint Administrative Receivers
(office holder nos 008377 and 5199) of
ROBSON RHODES
The Gallery, Station Road, Crawley RH10 1HY
Date of appointment: 16 February 1994
By whom appointed: Barclays Bank plc
Date of charge: 30 Nov 1993
Nature of charge: Mortgage Debenture

MANAGEMENT

EXPORTING

Difference between a profit and a loss

Richard Gourlay on benefits of export credit insurance

It is easy enough to lose money by selling to a company in another town that suddenly goes bust. Suppliers suffer this indignity every week, in spite of increasingly sophisticated credit controls.

To lose money when a customer overseas fails is even easier. The culture, language and local market are often relatively unknown to the new exporter. So reducing the risk by using export credit insurance is the obvious answer.

Yet some exporters still claim it is expensive or unavailable in some parts of the world. This view is partially endorsed by Howard Davis, director-general of the Confederation of British Industry. "There have been some welcome improvements in cover and reductions in premiums," says Davis. "But in some markets UK support still compares unfavourably with that of the competition."

What is more, exporters say, the UK alone in the European Union does not supply state reinsurance support for short-term export credit. The government has extended "transitional" cover until the end of 1997. This was put in place when part of the Export Credit Guarantee Department was privatised in 1991, but the lack of permanence is causing uncertainty.

According to the leading insurance providers, Dutch-owned NCM and Trade Indemnity of the UK, about £25bn of a possible £35bn to £45bn of exports that could be insured is already benefitting from short-term cover. How much greater, some exporters ask, could UK exports be if the supply and cost of credit became easier?

For smaller companies that do find the cover they require, the management of export insurance can still be difficult. "The tricky thing for small companies is the need for detailed administration of your policy," says Ian Campbell, director-general of the Institute of Exports.

While the rules are clear, cover is often rendered invalid by customers who forget to provide details of transactions, exceed credit limits, deliver goods outside agreed dates or fail to report payment delays.

Even experienced exporters often treat export credit insurance like a car policy that can be bought and forgotten. "You cannot buy a credit insurance policy of any type and put it in the drawer and forget about it," says Barbara Bennett, corporate relations manager at Trade Indemnity. "You have to manage it alongside your credit controls."

Unlike car insurance, which is only pulled out when needed, export credit requires constant tinkering – changing credit limits, applying for new ones and pruning those which are no longer needed – if the costs are to be properly managed.

Insurers say they do more than just provide cover. They can steer exporters towards or away from certain markets

So where should new exporters turn for advice and cover? There are two different forms of export credit insurance. Medium-term insurance covers sales or large projects when payment is expected over a two-year period or more.

It attracts a lot of attention – and the bulk of the government's reinsurance through the official export credit insurer, the Export Credit Guarantee Department. But only a small number of companies use this form of cover.

About 85 per cent of credit insurance is short-term cover. Since 1991, when the ECGD short-term insurance division was privatised, there have been two dominant credit providers – NCM, which bought the short-term credit business and is by far the largest, and the relative newcomer, Trade Indemnity. TI is the largest domestic credit supplier and has also moved into the export market.

Both companies in theory cover exporters against losses up to 90 per cent of the value of invoices where a customer defaults, and up to 95 per cent if the customer is willing to pay but the country defaults, as was the case with Nigeria in 1983.

Unless they are very big, exporters should not take their business directly to an insurer. The smallest exporters – with sales of £100,000 or less – may find more appropriate managed policies provided by Intrum Justitia, CAD, part of the conglomerate BTR, or a limited number of banks. Here the exporter becomes the joint holder of a policy – often reinsured with NCM – and can pay a lower premium than the insurer would have charged had it been handling the business directly.

For larger exporters, it almost always pays to use a broker to approach the insurers.

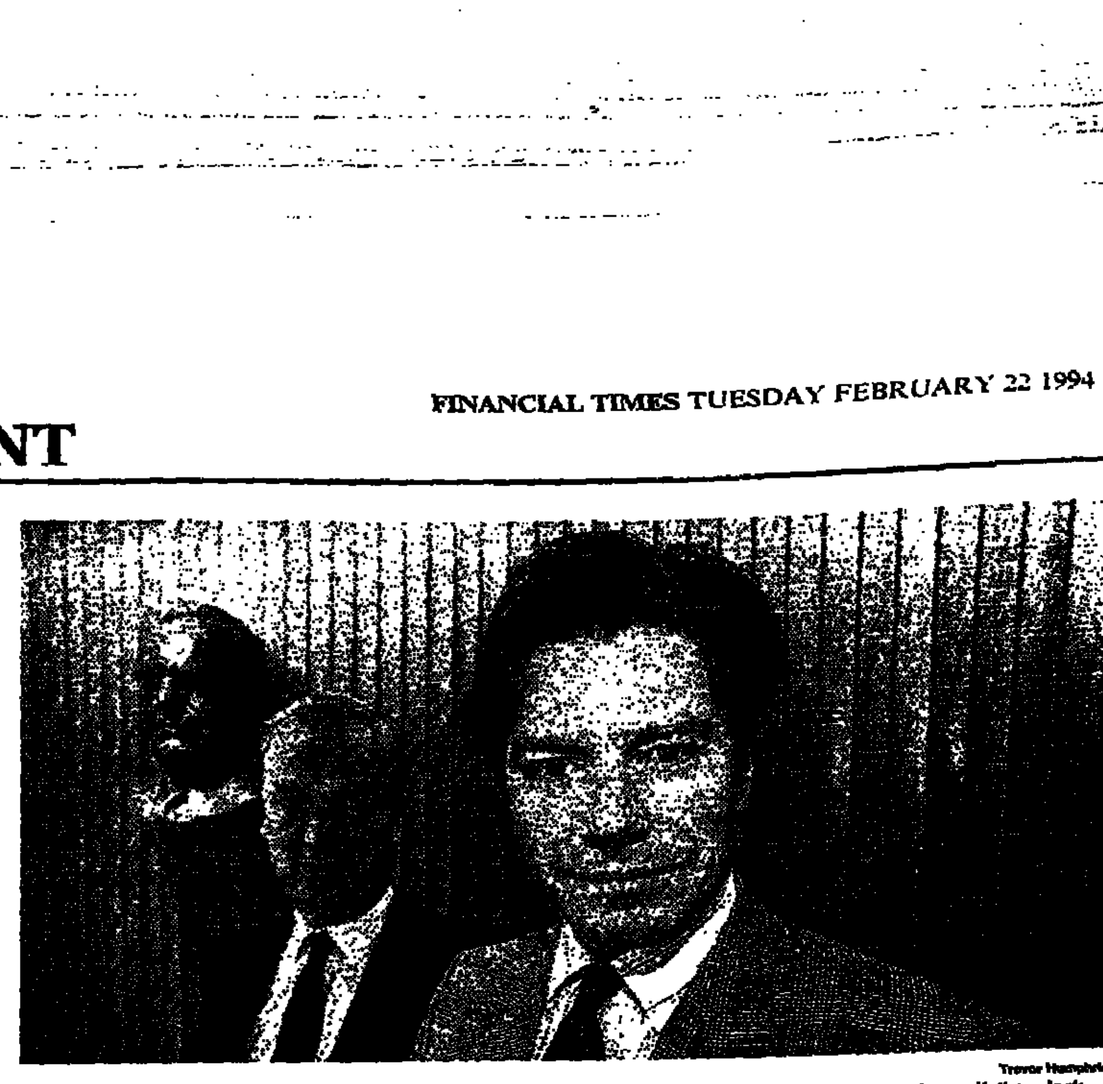
A good broker should be able to weed out classes of business that do not require insurance – sales to an associate company in another country, for example.

And they should help in claims and managing credit lines, an area that too often receives little attention from exporters.

In spite of the need for careful management of export insurance, the case for having it is irrefutable. A company earning 10 per cent profit margins, for example, which has a bad debt of £100,000, would have to make additional sales of £1m to make up the loss.

Insurers say they do more than just provide cover. They can steer exporters towards or away from certain markets in addition to helping with the credit control function.

"There are benefits of credit insurance alongside a company's own credit management system," says Colin Foxall, chief executive of NCM. "There are very few cases where it would not make sense for an exporter to take credit insurance."



Trevor Humphries

Keep it in the family: Paul O'Hea (front), the third generation O'Hea to control Colt, his uncle, Jerome, and grandfather, Jack

Survival in a war of succession

Richard Gourlay finds that pruning the family tree can avoid damaging intra-family company politics

Paul O'Hea, managing director of Colt Group, is in an unusual position.

At 35 he is in charge of a thriving Hampshire-based maker of air-conditioning and ventilation systems with sales of £92m and manufacturing sites in three European countries.

He is also the third generation O'Hea to control Colt, which was founded by his grandfather. This achievement grants the O'Heas membership of an exclusive club of families whose companies have survived what is often a debilitating war of succession.

The transition has apparently been seamless. Paul's uncle, Jerome O'Hea, whom he succeeded at Christmas, has become chairman and moved his office to his home; he promises to visit the company only once a fortnight. And Alan O'Hea, Paul's father, who ran the business for 30 years after taking over from founder Jack O'Hea when he was 32, is president and performs a largely ambassadorial role.

But the O'Hea story is something of a rarity. There are, of course, other examples of successful succession. The Hoare family has just introduced the eleventh generation at the private London bank and Wates, the builders, is now run by the grandson of the founder.

But like Colt, these are exceptions. According to Alden Lank, professor of family enterprises at IMD, the Lausanne-based international management school, only 15 per cent of family companies that manage to survive five years are successfully passed on to a third generation.

"The problem of succession is the single most important reason for family businesses not to continue over the long term," Lank says. "Families just can't get their hands around this issue."

A more typical story is that of G.H. Zeal, a south London manufacturer of thermometers. Stephen Zeal, a graduate of the London Business School, says Zeal is a "very typical family business".

"My father and uncle were the third generation entering a cash-rich business in the 1950s with sufficient resources to compensate for mistakes made."

When he joined in the late 1970s, the company had sales of about £3.5m. "I came in as the fourth generation with lots of ideas, the eldest of four boys," says Zeal. But its traditional thermometer market started to come under pressure from electronic products.

Declining sales meant a disproportionately large overhead became a constraint on further development.

The company needed more cash but Stephen Zeal says his father and uncle lacked enough confidence in the company's future to request extra resources from the family.

"There was a slow and sluggish response to business demands," Zeal says. "The issue was the ability or inability of the family members to take timely commercial decisions." He left and set up his own company making electronic temperature gauges.

As a result of the company's financial position, the family decided the only way to secure value from the business – then only breaking even – was to sell to a management buy-out, a decision Stephen Zeal deeply regrets.

"There was an in-house fight between myself and the older generation," says Zeal. "The big problem was the family had run out of money and the company had continued to decline."

Zeal believes the problems were exacerbated because shareholdings were dispersed between about 20 family members, via various trusts. As a result, the executive directors lacked the motivation to take further personal financial risk on behalf of the other members of the family, he says.

"If the family directors felt solely responsible for themselves and their own shares then maybe a decision would have been taken to put further security down to generate more cash," says Zeal.

Lank says private companies in this situation need to anticipate such problems by "pruning the family tree". To avoid intra-family politics that can follow when no one member owns a significant stake, early action is needed, he says.

In Colt's case Alan O'Hea's father did the first pruning. "My father recognised this very early on and set up a structure in 1959 of discretionary trusts to hold Colt shares," says Paul O'Hea. A second pruning is under way with the company buying out the interests of the founder's two daughters.

"We faced the fact that the family grows exponentially and the family business does not," says Jerome O'Hea. "We realised it would not be possible for Paul and his cousins to manage to sustain ever increasing numbers of shareholders."

Another option, if there are enough assets, is to split them between offspring and disallow cross-directorships. The Swiss-based Schmidheiny family, which has diversified industrial investments, took this route.

Alternatively, shares can be split into voting and non-voting shares so that management control is entrusted to a smaller number of hands. "If you are worried about shareholders setting up coalitions your thinking time is spent wondering how to manage the politics of the family," says Lank.

Paul O'Hea is also convinced that a succession plan should be clearly articulated. Colt announced Alan O'Hea's retirement date six years ago. And Paul O'Hea is clear about how often he would like to see his uncle in the office. "IJ would turn up regularly," says Paul O'Hea of Colt's founder, Jack O'Hea. "I get the impression it will be easier for me because we have learned."

Looking forward, Paul O'Hea realises the rights of those family members not working for Colt is an issue he must tackle. For the first 30 years of Colt's existence family members did not receive dividends. He recognises the potential conflict between his interests, as a professional manager drawing a salary and running a company car, and the desires of some of the non-working family members to capitalise on their inheritance.

"I am in the business to keep it private and to grow it," he says. "My view is we will go on pruning the family tree as long as the company can provide the cash to do it."

FINANCIAL TIMES SURVEY

European Finance and Investment: **Portugal**

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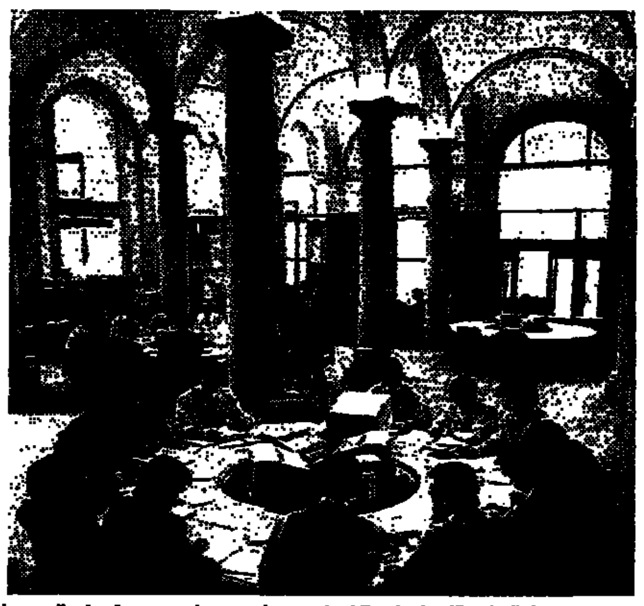



Different perspectives: Traditional industries, such as footwear, are undergoing radical reforms and unemployment while sleek office buildings are rising in Lisbon. Stock market reforms have encouraged investors but some people live in abject poverty *Pictures: Ashley Ashwood and Paul Forster*

A time for celebration and reflection

After eight years of economic expansion, Portugal has plunged into a recession. It has exposed the dark side of a society where sleek office blocks rise in a capital city ringed by shanty towns, writes Peter Wise

Crowds waving red carnations will throng the streets of Lisbon this April in commemoration of the twentieth anniversary of the "Revolution of the Flowers" that ended 48 years of dictatorship and set western Europe's poorest country on the road to prosperity.

The anniversary will be an occasion to celebrate the principal legacies of the revolution: a stable parliamentary democracy, membership of what is now the European Union and sustained economic growth that has improved living standards and moved Portugal past Greece in terms of output per capita.

But the commemoration will also be a time for reflection on what has not yet been achieved and why. After eight years of economic expansion, Portugal has plunged into a recession that has exposed the unappealing underside of a society that the government has been describing as "an oasis of growth in Europe" and a "democracy of success".

Sleek office blocks are rising in a new financial centre in Lisbon but the city is still fringed with makeshift shanty towns, where thousands live in abject poverty.

"A country that launches its own satellites can't have people living in such conditions," acknowledges Mr Joaquim Ferreira do Amaral, minister for public works, transport and communications. The government has promised to spend Es300bn to wipe out shanty towns within five years.

Many of those living in these "bairros de lata" are destitute farm workers who have moved to the cities in search of work. Portugal's backward agricultural sector, which employs 12 per cent of the labour force, has proved unable to compete successfully within a single European market. Reduced earnings have left a majority of farm workers living at subsistence level on incomes only a third as big as those of their Spanish counterparts.

Portuguese average wages as a whole are lower than in developing countries such as Singapore, Thailand and Taiwan, let alone any other western European country.

Industry is also suffering the effects of increasing competition. Traditional sectors such as textiles – which accounts for 30 per cent of exports – footwear, ceramics and metallurgy are undergoing a radical restructuring process that involves widespread closures and dismissals. Unemployment rose from 4.2 per cent of the labour force in 1992 to 6.2 per cent in 1993 and will climb significantly higher this year.

Many more people have been given access to state health care and education since the revolution. But services are poorly organised and facilities are often rudimentary. Welfare payments such as unemployment pay and old-age pensions are barely sufficient to live on.

"The country is moving towards modernity; towards development; towards credibility, and towards having a voice within the European Union," says Mr Anibal Cavaco Silva, prime minister. "But it will not be easy. The process involves changing mentalities. We cannot afford to support enterprises that are inefficient. We have to concentrate our resources on companies with the potential to compete at an international level."

Mr Cavaco Silva admits that the recession of 1993, when output fell 0.5 to 1 per cent, was the most difficult period for his centre-right government since he came to office in 1985. But the economic cycles that have served him so well in the past appear to be evolving in his favour again. Economists forecast that the slump will bottom out during the first half of 1994 and that gross domestic product growth for the year will reach 1 per cent. By the time of the next general election, in October 1995, the economy is likely to be expanding at a rate of 3 per cent a year.

The EU, whose funds have contributed so much to Portugal's growth in recent years, will again play a crucial role in an economic pick-up that will boost Mr Cavaco Silva's chances of re-election at the head of what would be his third majority government. He says he will refuse to serve in a minority government.

EU aid to Portugal for the period 1994-1999 is estimated at Es3,500bn, double that of the previous six-year period. The new funds will begin arriving this summer, stimulating public and private investment in industry and, particularly, transport and communications infrastructure. The beginnings of recovery in some of Portugal's main export markets will be an additional factor in launching a new cycle of growth.

"The slump here has been relatively light and short-lived," says Mr Joao Freixa, assistant general manager of Barclays Bank in Portugal. "This time, the authorities appear to have been right when they predicted Portugal would be the last to fall into recession and one of the first to move out."

The banking sector, in fact, emerged from last year's recession with an overall growth in profits of 11 per cent, slightly higher than in 1992. Banks offset shrinking margins with substantial increases in income from commissions and the cross-selling of the products of their financial subsidiaries.

They also reaped important profits from trading in public debt securities and foreign exchange during the currency crises in Europe last year.

Despite the recession, total credit advanced rose by about 10 per cent. This was partly due to the growth of new products such as consumer and house-purchase credit. But, according to Mr Alexandre Vaz Pinto, president of the Portuguese Bankers' Association, some banks also deliberately renewed bad credits to avoid provisioning for them. Total bad debt is believed to have risen from Es450bn in 1992 to more than Es650bn last year; about 8 per cent of total credit.

The proportion of bad debt is almost certain to increase this year as the effects of the recession on industrial companies filter through to the banks.

Another financial sector that has bucked the recessionary trend is the capital market. As short-term interest rates fell, investors turned to the stock market for more attractive returns. Liquidity drove share prices up more than 55 per cent in 1993, despite the poor prospects of many quoted companies. Total market capitalisation doubled.

Recent reforms improving the technical and administrative functioning of the stock market also inspired greater confidence from investors and the listing of Portugal as an emerging market attracted investment from the steadily increasing number of emerging market funds.

Another important step in the development of the capital market could be the proposed creation of a futures and options exchange in the northern city of Oporto.

Restructuring and liberalisation have progressed considerably faster in the financial sector than in industry. The re-privatisation of banks and insurance companies nationalised after the revolution has been completed with the exception of one bank. A second attempt at privatising Banco Pinto & Sotto Mayor will be made this year. The government rejected a bid made for the bank in 1993 as too low.

In the heady days of 1975, communist-led governments hailed the nationalisations as "conquests of the revolution". Today, Portugal has a sharply different perspective on what the revolution achieved... and what has, as yet, been left undone.

■ THE ECONOMY

New finance minister wins support

Mr Anibal Cavaco Silva, Portugal's prime minister, has entrusted the mission of leading his country out of recession to Mr Eduardo Catroga, a genial, silver-haired businessman who was sworn in as finance minister following a cabinet reshuffle last December.

Mr Catroga, respected in the corporate world for his capacity for decision-making, is a former company manager with practical experience of the problems of Portuguese industry. His down-to-earth approach has already won sympathy from a business and financial community often at odds with his younger, technocratic or academic predecessors.

Support for the minister to pull the country out of its first recession in eight years is strong, but he has no illusions that the task is going to be easy. "Recovery may be slow and difficult," he warned in his first speech, delivered to a conference of industrialists.

After eight years when its growth rate was higher than the European Union average, Portugal fell into recession in 1993 with output dropping an estimated 0.5 to 1 per cent. Exports were hit hard by recession in the EU, which accounts for three quarters of the country's trade, falling by a forecast 3-5 per cent in volume.

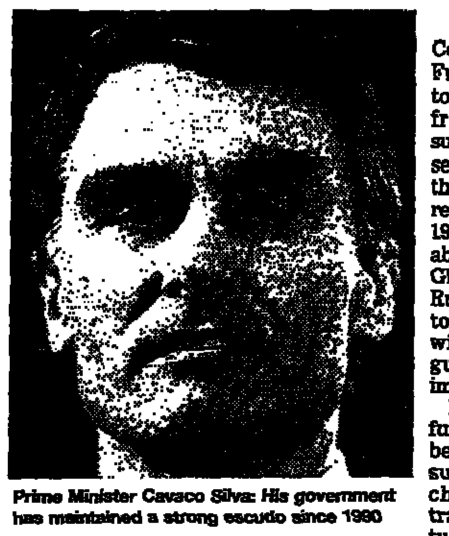
External difficulties were compounded by policy mismanagement at home as the tax machine virtually collapsed, leading to a doubling of the budget deficit over the original forecast. Markets were confused by a rift over interest-rate policy between the finance ministry and the central bank.

In the face of a deepening slump, the government, which had originally forecast 3 per cent growth in 1993, was forced to abandon the premise that Portugal was an oasis of expansion in a Europe laid low by recession.

Recession, most analysts agree, was an inevitability that the government tried too long to ignore. "The cycle of growth in Portugal had been so extraordinarily long that an adjustment could no longer be avoided," says one bank economist.

The slump will get worse before it gets better, but there are signs that it will bottom out during the first half of 1994. Portugal should register positive growth of 0.5-1 per cent this year, most probably remaining below the EU average. Recovery is expected to take a firmer grip in 1995, moving gross domestic product growth close to 3 per cent.

An improvement in some of Portugal's main markets, most notably the UK, should boost exports towards the end of this year. An expected gradual 2-3 per cent devaluation of the escudo in 1994 against the currencies of the country's main trading partners will help make export prices more competitive.



Prime Minister Cavaco Silva: His government has maintained a strong escudo since 1990

The government has been maintaining a strong escudo since 1990. The central bank made expensive interventions to maintain the currency's parity during the foreign exchange crises of 1993. Nevertheless, the escudo devalued by some 10 per cent last year against an average of European currencies. But now that inflationary pressures are more subdued and the currency has achieved stability within the EU's exchange rate mechanism, the central bank is likely to adopt a less interventionist approach to exchange rate policy.

Transfers of EU funds will almost certainly make the most important contribution to recovery in Portugal.

The country's Community Support Framework for 1994 to 1999 will benefit from Es3,500bn in subsidies from Brussels. "This is double the amount Portugal received from 1988 to 1993 and represents about 3 per cent of GDP a year," says Mr Rui Martins dos Santos, chief economist with Banco Portugues de Investimento.

Most of these funds, scheduled to begin arriving this summer, will be channelled into transport infrastructures, telecommunications and industrial grants, mobilising total public and private investment of some Es10,000bn over the six-year period.

Grants for professional training will provide at least temporary occupation for some 50,000 workers.

Mr Catroga's other main instrument for fostering recovery will be interest rates. Portuguese industry has been heavily penalised by the high cost of money. After a fall of 4 percentage points in 1993, small and medium-sized companies were paying interest rates of 16 per cent for 30-day credit at the end of the year, a real rate of 9.5 per cent.

"Recovery requires a sustained reduction in the costs of corporate financing that brings Portuguese interest rates much closer to those in other European countries," the minister says.

The central bank has already cut its liquidity absorption rate four times this year by a total of 0.75 percentage points, signalling a reduction in short-term credit rates. Further substantial reductions are expected through the year.

Mr Catroga has made clear that a reduction in interest rates can only be achieved against a background of budgetary control and wage restraint if inflation is to be kept in check. He is likely to be less successful with budgetary control than with wage restraint.

Portugal succeeded in cutting its budget deficit from 12 per cent of GDP in 1984 to 4.7 per cent in 1992, but it soared to 8.2 per cent in the recessionary climate of 1993. Improvements in tax administration are urgently needed to boost public finances but even with progress in this direction the budget deficit is unlikely to fall much below the 1993 level either this year or in 1995, an election year.

Negotiations for a national wage pact for 1994 collapsed late last year, but the government has set a tough example for the private sector by keeping public administrative sector pay rises to 2.5 per cent.

Private sector workers fearful of unemployment, which is expected to grow from 6.2 per cent in 1993 to some 7.5 per cent this year, are likely to settle pay claims at below 4 per cent.

In this climate, average annual inflation should fall from 6.5 per cent in 1993 to around 5.5-6 per cent this year. But an expanding budget deficit could lead to a slight rise in inflation in 1995 to about 7 per cent.

"I have great confidence that Portuguese companies will grow more and more competitive," says Mr Catroga. He is as aware as anyone of the difficulties that process will entail. Industrial production has been falling steadily since 1991. Achieving greater competitiveness through restructuring will be a politically painful process involving company closures, large-scale dismissals and relocations.

Peter Wise

■ BANKING

More painful results likely

Portuguese banks rose above bleak business conditions in 1993 to produce overall profit growth of about 11 per cent. But the delayed impact of the recession is likely to emerge in 1994 with more painful results.

Several factors combined to produce a pessimistic outlook for last year. Industrial investment was contracting sharply, reducing the demand for credit. Fierce competition for deposits was shrinking financial margins.

Bad credit was on the rise, demanding greater provisions. Pension funds required additional provisioning and the central bank was about to demand contributions to a deposit guarantee fund.

In the event, profits not only grew slightly more than in 1992 but the share prices of banks, which account for 65 per cent of equity turnover on the stock market, also rose by 53 per cent.

Part of the explanation for this buoyant performance was a shift away from financial intermediation as a source of earnings to commissions, fee-based income and the cross-selling of financial products.

"Financial margins fell by about one percentage point in 1993 to 3.5-4 per cent. This is close to the European average and lower than margins in Spain, for example," says Mr Alexandre Vaz Pinto, president of Banco Espirito Santo and of the Portuguese Bankers' Association.

"But in compensation, banks increased their commissions, equating them more closely with real costs." Supported by high margins, Portuguese banks had traditionally waived commissions or levied charges at below cost.

Among the biggest sources of income were trading in public debt securities and some lucrative foreign exchange operations during the currency crises that assailed the exchange rate mechanism of the European Monetary System last year. The cross-selling of financial products also became increasingly important.

Banks reduced the maturity of their deposits

"Banking is increasingly becoming a services-oriented business rather than one based on the intermediation of money," says Mr Joao Freixa, assistant general manager of Barclays Bank in Portugal. "Customers are looking for a wide range of financial products and discerning advice on how to invest their money rather than just a place to deposit it."

Banks also adjusted their asset portfolios to offset the effect of diminishing margins.

They moved into long-term government debt, offering rates of 20 to 25 per cent in 1993, and into commercial paper, which attracted corporate borrowers with rates two points below traditional bank credit.

At the same time, banks reduced the maturity of their deposits, persuading customers into more profitable short-term deposits and away from anything with a longer maturity than six months.

Stringent cost-cutting programmes were implemented, successfully lowering the relatively high level of operational costs supported by most Portuguese banks. Except for a number of smaller banks fighting for market share, most institutions reined back the ambitious branch network expansion programmes that have characterised the sector over recent years.

Vaz Pinto: 'In compensation, banks increased their commissions'

Investment in information systems also helped improve efficiency.

The most surprising element contributing to bank profits was a significant increase in the amount of credit extended to customers, despite the depressive effect of the recession. Official figures show that credit grew by a sharp 17 per cent during the first half of 1993 and is estimated to have risen by 10 per cent over the whole year. Allowing for inflation, this represents real growth of about 3.5 per cent.

Bankers offer several explanations. There was a substantial increase in private loans. Consumer credit, starting from virtually zero, exploded last year. New entrants into the house-purchase credit market stimulated strong growth of mortgage loans. In addition, large corporations that used to borrow in foreign currencies from foreign banks because of lower interest rates switched back to escudo financing from domestic banks to hedge against risk following the European currency crises.

An additional explanation is that some banks deliberately renewed bad credit, capitalising the interest due into the new loans, to avoid provisioning against the bad debt. Mr Vaz Pinto believes this procedure had considerable impact on the growth of credit in 1993 and on the balance sheets of some banks.

But he says it is impossible to quantify the exact extent of such "window-dressing". Some banks are also thought to have domiciled bad loans in their offshore branches in Madeira, where regulations on provisioning against bad credit do not apply.

"Central bank regulations on provisioning for bad debt are not as strict in Portugal as in many other European countries and some banks have taken advantage of this to make the barest minimum provisions," said an economist with a leading bank. "Auditors of banks who have renewed bad credit must also be held responsible for failing to draw attention to the lack of sufficient provisioning."

Some banks eased the pressure on their balance sheets in 1993

A central bank spokesman said new regulations for provisioning for bad debt were being studied. He said the authorities were monitoring the question of refreshing bad loans but had found no cause for alarm. Portuguese banks are required to set aside the equivalent of 2 per cent of their total credit as general risk provision. The usual level in Europe is 1 per cent.

The total amount of bad debt in the Portuguese banking system is estimated to have risen from Es450bn at the end of 1992 to more than Es650bn in December, 1993; an increase from about 7 per cent of total credit to 8 per cent. Bankers are agreed that the situation will worsen.

"The full impact of bad debt resulting from a recession does not usually hit the banks until one or two years later," said a Lisbon banker. "And provisions will have to be made sooner or later for existing bad debts that have been rolled over."

Some banks also eased the pressure on their balance sheets in 1993 by delaying the capitalisation of pension funds. They were also saved from making contributions to a deposit guarantee fund, now likely to be created in 1994.

In this scenario, most bankers are not forecasting a significant increase in profits in 1994 despite the forecast upturn in the economy. Stock market analysts say banks remain undervalued in comparison with industrial stocks and they forecast share price gains of 10 to 15 per cent for the banking sector this year.

Peter Wise

■ STOCK MARKET

Outlook for growth remains bright

Breaking through the gloom of recession that has gripped Portugal for the past year, the performance of the stock market has shone like a beacon. While output fell and companies began reporting heavy losses, share prices rose steadily and the outlook for continued growth remains bright.

Investors – ignoring dwindling industrial profits and fears that shrinking margins and bad debt would hit banks – turned to the stock market in ever-increasing numbers as an attractive alternative to bank deposits, the traditional home of Portuguese savings.

"Liquidity is clearly driving the market," says Mr Joaquim Luiz Gomes, an analyst with independent stockbrokers Midas Investimento. "Institutional and private investors are attributing more and more weight in their portfolios to equity because the returns are more attractive."

Term deposit rates fell from 15 per cent to about 7 per cent in 1993 and many banks are simply refusing longer-term deposits because of the minimal earnings they offer. Bond rates have also dropped sharply, with interest on one-year bonds, for example, shrinking from 19 per cent to 10.5 per cent over the past two years. These rates compare with earnings of about 20 per cent offered by share investment funds.

Growing interest in shares drove up the Banco Totta e Azores (BTA) share index by 59.6 per cent in 1993 to 2,614. Prices have continued to rise steadily this year, with the BTA index growing 19.6 per cent to 3,126.8 on February 9. The few market operators who will be drawn into a forecast predict share prices will rise between 20 and 30 per cent in 1994.

They are also agreed that a price correction is almost inevitable. "If share prices continue to climb over the next few months it is very likely there will be a spell of profit-taking that will set the index back," says Mr William Cunningham, a Lisbon-based partner with consultants Arthur Andersen.

The market can not depend on liquidity alone if it wants to maintain solid growth. "There will eventually have to be some adherence to reality," says Mr Gomes. "Many industrial shares currently have a price-earnings ratio of 20. Investors will soon want to see profit levels of 20 per cent or more as a foundation for that ratio."

Trading volume on the Lisbon stock exchange rose by 97 per cent to Es2,849bn in 1993 while the value of the market more than doubled to Es2,193bn. Bond trading accounted for 85 per cent of total volume compared with 81 per cent in 1992. Public debt bonds represented 95 per cent of bond trading, boosted by the admission last year of 10 treasury bonds to the continuous national trading system.

Trading floor of the Oporto bourse: Investors turned to the stock market in increasing numbers

Trading in shares accounted for 15 per cent of total volume compared with 18 per cent in 1992. Share trading volume rose 58 per cent to Es417.9bn. The 183 companies quoted had a market capitalisation of Es2,193bn in December, 1993 compared with Es1,431bn a year earlier.

In a market where foreign investors have traditionally set buying and selling trends, domestic investors are now beginning to dominate. In particular, Portuguese banks seeking new products as alternatives to traditional loans and deposits – where their intermediation margins are shrinking – have launched a series of mutual, pension and other investment funds.

In September 1993, 109 investment funds, 14 of them foreign, were operating in Portugal, with Es1,500bn under their management. The biggest fund, with a market share of 29 per cent, is CaixaGest, run by Caixa Geral de Depositos, the state-owned savings bank and Portugal's largest financial institution. Bond funds represented 71 per cent of the total and share applications only 2.9 per cent. But the funds are gradually increasing their equity weightings and even a 1 per cent change can make an impact on the share market.

"Small investors used to invest directly on the stock market as if they were playing roulette," says Mr Jose Cardoso de Matos, director of marketing and organisation for the Lisbon bourse. "Now they are entrusting their money to funds who do the job in a much more professional way."

In addition to falling interest rates, interest in the stock market has been spurred by the official listing of Portugal on emerging market indexes such as the IFC. This has attracted new investment from emerging market funds launched mainly in the US and the UK.

Confidence in Portugal has also been stimulated by recent operational and administrative reforms including the adoption of a continuous trading system, a computerised stock registration house and a new administrative law that governs insider trading, company disclosures rules and other areas.

These reforms could be taken an important step further this year following a proposal by the stock exchange commission (CMVM) for a restructuring of the country's two bourses as part of plans to create a futures and options market. The CMVM aims to reconcile opposing bids by the rival Lisbon and Oporto bourses to set up a national derivatives exchange, a move considered fundamental for the development of Portugal's capital market.

Mr Fernando de Costa Lima, CMVM president, says the commission proposes replacing the spot market in Oporto with a futures and options exchange and developing a national spot market in Lisbon.

The Lisbon and Oporto bourses currently compete with separate spot markets although 69 of the most liquid shares are quoted on a national continuous market for which Lisbon and Oporto act as separate trading floors. The daily volume of share trading in the continuous market is Es2bn to Es3bn.

Last year, the two exchanges presented rival projects for setting up a futures and options market. But Mr Costa Lima wants the two bourses to overcome their differences and co-operate in building two national markets for spot and derivative operations. This would end competition between Lisbon and Oporto for the same small market.

Peter Wise

■ INSURANCE INDUSTRY

Big portfolio clean-up ahead

As they gear up for the single European market, Portugal's insurance companies have understood that they can no longer rely on profits from financial investments while neglecting their real business, which is selling insurance policies. However, adjustments have only just begun, and the real cleaning up of portfolios and companies has been left for this year.

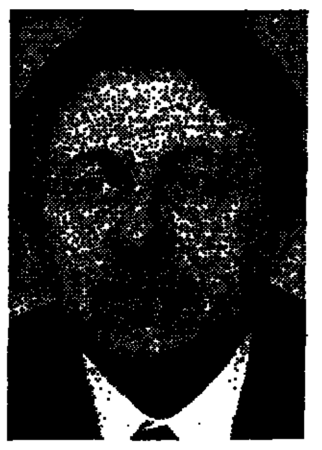
Despite the current recession, provisional results indicate that for insurers 1993 was less bleak than the previous year. But results are still a far cry from what the companies would have wished for.

According to an estimate by the Association of Portuguese Insurers (APS), the sector sold about Es530bn worth of premiums in 1993. This means it still grew by 22.2 per cent and, if the drop in inflation is taken into account, the real increase was about 24.6 per cent.

Car and work accident insurances, which represent about half of all premiums, remain the Achilles heel of the market. But judging by last year's development, the car division should soon see better days. APS estimates that companies managed to cut losses to about Es10.5bn in 1993, half of 1992's total. Things look gloomier in work accidents, where losses may have been as high as Es11.5bn, some Es3bn more than a year before.

Following an embittered war for market shares, which led to disastrous 1992 results, Portuguese insurance companies finally began introducing reforms in 1993. The process is likely to be intensified in 1994.

Analysts warn that decision-making in many companies is still guided by faith and inertia and that growth at any cost but at the expense of profitability and solidity remained the main tendency in 1993.



Carvalho believes companies will have to improve technical skills

This view is not shared, however, by Mr Ruy de Carvalho, president of the APS. He points out that the very reason why many companies registered only little growth last year was exactly because they began cleaning up their portfolios, adjusting their risk policy, and adapting prices to Portuguese reality.

As a result and because of the introduction of a new invalidity chart, tariffs for work accident insurances are expected to increase by 20 per cent or more this year. In the car sector, prices are expected to rise by about 15 per cent.

The development in life insurances, which account for 31.5 per cent of premiums, followed two different paths. Individual insurances saw growth increase from 24.4 per cent in 1992 to 38 per cent last year. In voluntary group life insurances, on the other hand, the recession resulted in a severe reduction of growth, from 61.3 per cent in 1992 to 18.7 per cent.

There is disagreement among Portuguese companies whether there will be increased competition from companies not yet established in Portugal once the single European market for the insurance sector comes into effect in July, when the third generation directives granting full freedom to offer services are applied.

Some companies say that little will change because the main international companies are already operating here. Others think the new directives could lead to considerable losses for Portuguese companies.

Mr de Carvalho says the Portuguese market is well prepared from a legal point of view. But things look different in practice: "Portuguese companies, even the big ones, are medium-sized in European terms. This shows how difficult it is for us to compete successfully in a market that will be extremely open."

Mr de Carvalho believes that companies will have to improve their technical skills or call in outside specialists. He also thinks that big transformations will take place among the many small companies with a market quota of less than 1 per cent. Mr de Carvalho expects mergers and what he calls "a passive internationalisation"; that is, companies opening up their capital to foreign companies.

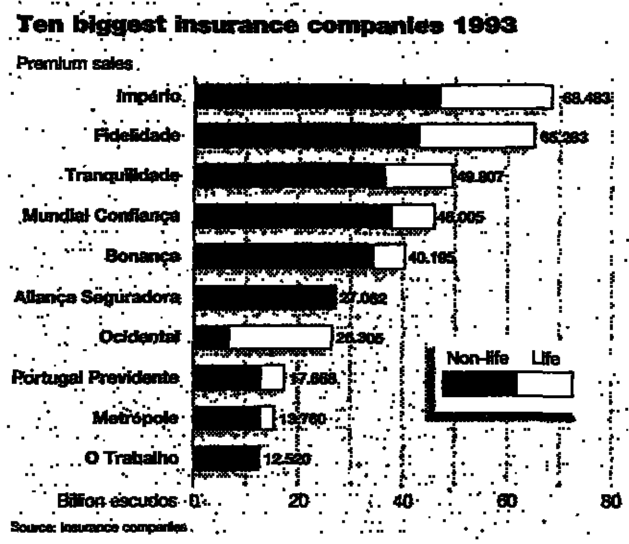
While raising tariffs, insurance companies are also trying to improve services and reduce costs. According to APS, Portuguese insurance companies invested about Es7bn in computerisation in 1992 [figures for 1993 are not yet available] and may have reduced their staff by 5 per cent in 1993.

Due to expensive settlements for early retirement and redundancy payments, the effects of these efforts have not yet made their mark on the accounts. But they are seen as an investment in the future.

General expenses are still very high, considering that they represent 25 per cent of premiums sold – about twice the EU-average.

A working group comprising representatives of the finance ministry, insurance companies, banks, the stock market and investment funds discussed for two years the problems of Portugal's financial sector. While the resulting white paper for the banking sector has already been published, insurance companies are still awaiting publication of the section on their business. Parts of it have been leaked to the press, but due to an agreement to remain silent, companies are reluctant to comment on it. The "livro branco" – basically a code of conduct for Portuguese insurance companies in the large EU-market – contains an analysis of the Portuguese market and its capacity to modernise, as well as chapters on subjects such as pension funds, supervision and tax regulations.

Ten biggest insurance companies 1993



Source: Insurance companies

One thorny matter that remains to be resolved is that of health insurance. For many companies, this area is littered with potential problems.

Health insurance currently accounts for only 2.6 per cent of premiums and is loss-making. A government proposal for a new scheme, which was to provide an alternative to its national health service, has found little or no favour with insurers. From the very beginning, companies objected to the government's idea of exclusiveness, saying that in a country such as Portugal only a complementary scheme could work; a combination of private and public health insurance.

APS says those with high incomes might well opt for private health insurance only, but that such a solution should not be imposed by law.

Another concern is that because costs in the health sector are soaring, only companies should be allowed to establish the prices for such insurances. Finally, the market opposes life-long policies.

Mr de Carvalho concedes that the government has moved closer to the insurers' views. He adds that the sector is now hoping for even more sympathy from the new health minister, Mr Paulo Mendo, who took office last December.

"We are very interested in finding a good solution", he says. "But insurance companies cannot accept a scheme which will lead to exactly the same problems the national health service is suffering. We do not have a state budget behind us, nor can we rely on the other EU countries for financial help."

Susanne Rindlisbacher

■ FOREIGN INVESTMENT

Results still awaited

Portugal's Ministry for Trade and Tourism is in a sombre mood about last year's foreign investment. Results are still awaiting official publication, but all available information indicates there has been a drop of more than 50 per cent compared to 1992.

To make things worse, most large contractual projects will not meet production and export levels agreed with the government. Lisbon is trying to reverse the downward tendency by simplifying legal procedures and establishing more direct contacts with potential investors.

"Really very bad", is the only comment from the ministry, while 1993's figures for direct foreign investment remain tucked away in a drawer. A spokesman says the drop from 1992's $4.375bn is "tremendous" and amounts to more than 50 per cent. The most recent official figure published by the Bank of Portugal is Es111.7bn for the first seven months of 1993; about half the total for the same period in the previous year. The first signs of flagging interest emerged in 1992 – when direct foreign investment suffered a 26 per cent drop compared to 1991.

In addition, estimates of what impact the seven big contractual investments negotiated with the Portuguese government between 1989 and 1992 will have on the country's economy, need to be revised. Until recently, the government hailed these projects as stepping stones for an out-of-date industry on its way into the 21st century. They would bring modern technology and know-how to Portugal; create many new jobs and make a huge contribution to Portugal's export statistics.

ICEP itself intends to play a more active role in future

The height of euphoria was reached in 1991 when the government signed a contract with Ford and Volkswagen whose giant joint venture, AutoEuropa, will produce a multi-purpose vehicle at Palmela, south of Lisbon.

A study carried out last year by ICEP, the body that promotes investment, trade and tourism in Portugal, said that once they started production in 1995, these projects could represent 20-30 per cent of exports and between 2 and 3 per cent of gross domestic product growth.

Last December, the Bank of Portugal published an article, saying that GDP growth could reach 8-9 per cent when AutoEuropa started producing in 1995, if ICEP's figures were correct and the aims established in the investment contracts were met. But this scenario is turning out to be highly unrealistic because most of the "seven giants" – which together were expected to reach production worth Es1,000bn and exports of Es926bn by the year 2000 – will have to readjust their projections.

ICEP confirmed reports that the contractual projects were facing problems.

One of the seven, the tyre manufacturer Continental-Mabor, has already reached agreement with the government to extend by three years [until 2003] the date for reaching the targets originally agreed.

Two others – General Motors' Delco Remi, which produces electronic components, and the Finnish petrochemical company Neste – are negotiating a reassessment of their estimates.

The four remaining companies say they cannot possibly reach their objectives, mainly because of the international recession. Neste, car components manufacturer CofapEuropa, and Pepsico's potato chips factory Laprovar are halving their export targets. AutoEuropa and the car radio manufacturer Ford Electronica are not publishing their revised estimate, saying production will depend on the market situation.

Despite the unfavourable circumstances, Mr Miguel Athayde Marques, ICEP president, views 1994 with some optimism: "Interest among big foreign multinationals who visit us and ask for information has increased so we expect lively economic activity".

Portugal continues to present itself as an attractive place for foreign investors, with low wages and overall costs, good productivity levels, favourable European Union-backed incentives, rapidly-expanding communications and other infrastructures, and a stable political situation. To investors from outside the EU, the country maintains it is a gateway to the European market.

ICEP itself intends to play a more active role in future and is working on a new strategy to capture investors.

These efforts will be bolstered by a new law on foreign investment, aimed at simplifying the process for investors and expected to come into effect this year. New rules for registering projects will be established and the quality of information on investment possibilities is to be improved.

By granting attractive incentives, the government is mainly trying to attract investments in industries involving new technologies, particularly those in areas with high unemployment. However, results for the first six months of 1993 show that banks and other financial institutions, as well as real estate and other services continued to be favoured, absorbing almost 70 per cent of direct foreign investment.

In industry, the AutoEuropa project is still managing to attract new suppliers to the Setubal region. One of them is the Somer Allibert company, which signed a Es11bn investment contract with the government at the end of last year and is to create about 660 jobs.

Recent industrial projects in the country's interior region include two Dutch factories in Ansiao. One will produce wooden boxes for cigars and chocolates; the other will make panels for metal insulation. Total investment for the two projects is just under Es700m, and some 60 new jobs will be created.

Investment opportunities will also continue in infrastructure development.

In telecommunications, the Portuguese government is negotiating with ICL of Britain and its parent company, Japan's Fujitsu, over the construction of a factory for systems for the management of telephone lines and high-speed optical fibre amplifiers involving an estimated investment of Es9bn. Talks are centering on incentives, which would come from the government and EU funds.

A decision on which of seven international consortia will be awarded the contract for construction of what will be the country's largest dam, at Foz Coa in northern Portugal, is also pending. This hydroelectric project involves an estimated investment of Es43bn.

But not everyone is happy about international investors coming to Portugal. National construction companies have protested because a foreign consortium may win the contract to construct a natural gas pipeline between Setubal, south of Lisbon, and the northern town of Braga.

They maintain that this Es40bn project should remain "national", especially because it does not require particularly sophisticated construction techniques.

Susanne Rindlisbacher

■ MADEIRA OFFSHORE CENTRE

Attractive advantages

Madeira's IBC offers investors the benefits of EU membership and a zero tax rate *Picture: Mike Aron*

Madeira, set in the Atlantic 600km off Casablanca and on the same latitude as Bermuda, has been providing a haven of warmth and tranquility for North Europeans ever since the British aristocracy made the island a fashionable winter resort in the mid-18th century.

Today, tourism remains the mainstay of the island's economy, accounting for more than 12 per cent of Madeira's gross regional product. But tourism has recently been joined by another, equally successful source of income: a dynamic offshore development known as the Madeira International Business Centre (IBC).

Established with the help of the European Union to stimulate development, the IBC offers investors the benefits of both EU membership and a zero tax rate. Covering the full range of offshore services, Madeira provides a free-trade industrial zone, a financial centre, international services and a shipping register, all benefiting from tax and duty exemptions.

The IBC was conceived as a special incentive, on top of extensive support from EU structural funds, to help the island bridge the development gap separating it from the rest of western Europe. "Studies of other peripheral EU regions show that grants alone are simply not enough to overcome the disadvantages of insularity," says Mr Jorge Veiga Franca, a director of the Madeira Development Company (SDM), which runs the offshore centre.

This stimulus to Madeira's economy offers attractive advantages for investors. Since legislation on the offshore centre was approved in 1986, close to 1,200 companies have set up in the IBC: 38 manufacturers are operating in the free-trade zone; 32 companies, mostly bank branches, have registered with the financial centre; and 36 vessels are listed on the shipping register, known as MAR. The rest are doing business in the international services sector.

Madeira's full integration into the EU is an important asset. Companies operating in Madeira benefit from the free circulation of goods, services and rights of establishment within the Community that is guaranteed to all EU enterprises. All raw materials and components imported into the industrial free-trade zone are exempt from customs duties. Duties are levied only on raw materials from third countries incorporated into finished products exported to the EU.

Companies enjoy total exemption from taxes on profits and capital gains until the end of the year 2011. Officials are confident that the rate will subsequently be increased to only 5 or 10 per cent. Investors also benefit from exchange freedom, including free repatriation of capital and profits, free transfer of funds used in commercial operations and freedom to import capital.

IBC officials believe they have an important edge over other offshore centres because Madeira is an integrated part of Portugal, not isolated in either economic or legislative terms. Companies setting up there enjoy the same guarantees of credibility as they would in mainland Portugal. Maintaining this image is a priority. "We would prefer 10 good companies to 100 dubious ones," says Mr Francisco Costa, chairman of SDM and chief architect of the IBC.

The Madeira regional government opted to negotiate a concession agreement with SDM so that the IBC would be run by a private company that speaks the same business language as investors. Efforts are made to cut red tape to a minimum, with a special public deeds office set up to ease formalities.

However, the IBC acknowledges that ship owners have recently encountered delays in registering vessels with MAR because of difficulties raised by a technical commission appointed by the regional and central governments. "This is a bureaucratic issue that we expect to clear up very shortly," said an IBC spokesman.

On a more positive note, recently approved regulations make Madeira's shipping register considerably more attractive than before. To register, half a ship's crew and its captain must now be of EU nationalities where previous legislation stipulated that the same proportion of the crew had to be Portuguese. Ship owners may now chose any country whose laws they want to govern the mortgage of their vessel. Yachts are also now eligible.

So far, the financial centre of the IBC has predominantly attracted Portuguese bank branches. From Madeira they can provide all the services of an overseas branch without the heavy costs of establishing a network abroad. Several important foreign banks have followed suit and legislation approved in January should make the financial centre attractive to a wider range of companies.

The new law makes it possible for financial companies to set up subsidiaries in Madeira where they were previously limited to opening branches. "This measure will broaden the appeal of the IBC," says Mr William Cunningham, a Lisbon-based partner with consultants Arthur Andersen. "There was little incentive for a foreign financial institution to set up a branch in Madeira if it was going to be taxed on the earnings of that branch in its home country. Now that tax can be avoided by creating a subsidiary."

The institutions now allowed to set up subsidiaries in Madeira's financial centre include banks, investment societies, leasing, factoring and higher-purchase companies, stock brokers, dealers, investment fund managers, credit card issuers, asset management, regional development, venture capital and group purchasing companies, exchange bureaux, insurance and reinsurance companies and pension funds.

The new legislation also allows banks to set up international branches as well as offshore branches. Offshore branches may only do business with non-residents in Portugal or other companies in the IBC. The ability to establish international branches means that banks in Madeira can do business with Portuguese companies. They will be subjected to normal Portuguese tax laws, except that they will be able to accept deposits from non-residents in Portugal without having to withhold a 20 per cent tax on the interest paid on the deposits.

"Previously banks in the Madeira offshore centre were completely fenced off from doing business with mainland companies," says Mr Cunningham. "The new measure means that Portuguese banks that set up international rather than offshore branches in Madeira will be able to raise money more cheaply than in Portugal for lending on to their clients on the mainland."

Peter Wise

■ PRIVATISATION

New team attempts to generate fresh impetus

A new team led by Mr Eduardo Catroga, finance minister, is attempting to give a fresh impetus to Portugal's five-year-old privatisation programme, recently one of the centre-right government's least successful ventures.

After buyers snapped up companies on offer in the finance sector, three big privatisations launched last year failed.

Mr Antonio de Sousa, secretary of state for finance who took office last December, said that his main priorities were to lift limits for foreigners; achieve a wider distribution of shares; and a faster process, with one privatisation a month.

The first failure last year was the planned joint sale of the cement companies Secil-Cimentos Maceira e Pataias (CMP), for which the government received no offer.

In the cases of the steel manufacturer Siderurgia Nacional (SN) and Banco Pinto & Sotto Mayor (BPSM), the government rejected the offers, one in each case, as too low. This meant that the state received a mere Es70bn from privatisations in 1993, instead of the budgeted Es175bn, already revised late in the year from the original Es225bn.

Up to 60 per cent of receipts from privatisations may be injected into companies still state-held, while at least 40 per cent of receipts are earmarked for reducing the public debt. Mr de Sousa is confident that privatisations this year will yield the Es200bn anticipated in the 1994 budget presented by Mr Jorge Braga de Macedo, the former finance minister.

Mr de Sousa says there will be no limits for foreigners in any further privatisations carried out during this government's term in office, which ends in the second half of 1995. The failed sale of BPSM, whose public tender closed last autumn, was in fact the first without such limits, and the same applies for the sale of Secil-CMP, which was launched this month.

Mr de Sousa denies that this new approach is the result of pressure from the European Commission. Portugal has been under threat of legal action in Brussels for alleged violation of the European Union's provisions for the free movement of capital. Mr de Sousa argues, however, that these were not yet in force when Portugal launched its privatisation programme in 1989 and that, in any case, the main disagreement with Brussels is not over first, but second sales.

The next privatisation has already been launched and at least four more are planned for the first half of this year

Portugal has always maintained that its initial privatisations were intended to restructure national economic groups, which had suffered "an abrupt break in historic evolution" as Mr de Sousa put it, when they were nationalised after the 1974 revolution.

In January, the government announced it was raising the limit for foreigners in second sales of privatised companies from between 10 and 20 per cent to 25 per cent, unless the maximum was higher anyway in the original sale.

"We will probably be able to increase this limit a little more – to 30 or 35 per cent, says Mr de Sousa, adding that each case will be judged individually, depending on whether the companies have had enough time for restructuring.

Mr de Sousa's other pledge is to ensure a wider distribution of shares. "This isn't so much a change of philosophy", he says, "but more of a practical change to be applied in the upcoming privatisations, which is also conditioned by the type of companies involved."

Mr de Sousa says that abolishing limits for foreigners, which could favour large international shareholders, will not necessarily clash with the idea of widening distribution. He says distribution should be ensured by the statutes of the company in question rather than by legislation.

"There should be clauses compatible with company law, such as limiting voting power," he says. "The change in the statutes will most probably be introduced at the beginning of the privatisation process."

However, wider distribution also implies abandoning one of the government's original concepts, which was to strengthen national groups.

"We have to be realistic about the capital involved and the financial capacity of Portuguese groups", Mr de Sousa concedes.

There are, however, plans to maintain national control in strategic sectors, such as energy and telecommunications, either by maintaining a majority or a percentage guaranteeing a strong golden share.

There are to be no changes in the method of privatisation applied so far. For each operation, the government will decide whether it should be through negotiation, stock exchange auction, or public tender.

The next privatisation, the second attempt at selling the state's shares in Secil-CMP, has already been launched, and at least four more are planned for the first half of this year. Mr de Sousa says the first 25 per cent of Portugal's largest cement company, Cimpor, will be sold off "before summer" in an stock exchange auction with no indivisible block. Ultimately, the government plans to sell a majority and retain a golden share.

A second attempt at privatising Banco Pinto & Sotto Mayor will also be made. The 7.5 per cent of Banco Portugues do Atlantico (BPA) earmarked for foreigners should be sold in April, while this semester is also likely to see the sale of another segment of the national bus network, Rodoviaria Nacional (RN). RN's two remaining sections are likely to be privatised before the end of the year.

There will also be an indirect partial privatisation of Banco Fomento Exterior through Cimpor's 30 per cent holding in the bank, and Mr de Sousa says that the privatisation of BFE could go even further at a later stage.

There is less certainty for this year in the attractive telecommunications sector. The merger of state-held companies Telecom and Telefones de Lisboa e Porto (TLP) which, between them, operate telephone links in Portugal, Europe and the Mediterranean, as well as Teledifusao Portuguesa (TDP), which beams television signals around Portugal, must take place first. No decision has been taken yet on the possible integration of the overseas operator Marconi, which is only 51 per cent state-held.

Problems involving three complicated cases are still being resolved. The much-restructured Siderurgia Nacional is in the process of being reassessed, but for Mr de Sousa it is clear that any further restructuring will have to be carried out by the buyers.

In the case of the oil giant Petrogal, the government is still negotiating with Petrocontrol, a consortium comprising domestic investors and Total of France.

The group bought 25 per cent in 1992, but is refusing to fulfil its obligation to acquire a further 26 per cent within three years, unless the goverment injects funds.

Although Mr de Sousa is confident that upcoming privatisations will prove attractive, the recent difficulties indicate that the government might find it hard to achieve its aim of reducing the weight of the state sector in the overall economy by half, to 8.5 per cent, during the current legislature.

Peter Miles

TECHNOLOGY

Tom Foremski explores an alternative to virtual reality technology with vivid results

Waking up to dream control

As computer companies strive to develop virtual reality systems, researchers in California are working on technologies that allow people to tap into the virtual (or sub-conscious) reality inside their heads – namely, dreams.

The Lucidity Institute, a private organisation founded in 1988 by Stephen LaBerge, a Stanford University researcher, has developed computer-based electronic devices and training programmes that teach people how to experience lucid dreams. In these, the dreamers are aware of their dreams; they can participate consciously in them and control them for specific objectives.

The methods developed by the institute promise users such possibilities as indulging in adventures and fantasies, refining skills, finding solutions to difficult problems, overcoming nightmares and discovering methods of healing.

Executives have used lucid dreams to rehearse difficult presentations, surgeons have practised complex procedures, and classical musicians have rehearsed difficult passages. In most cases, the skills perfected in the lucid dream have been transferred to the waking state.

There are also important therapeutic applications. Physically handicapped persons can regain total mobility within the lucid dream state, and there are some indications that lucid dreams can help boost the body's immune response and increase the rate of healing.

As yet, though, evidence of lucid dreams' impact is anecdotal. Some researchers are sceptical about their value. Also, some psychotherapists who use dreams to treat neuroses are unhappy about lucid dreams, regarding them as an interference with the sub-conscious.

Lucid dreams certainly offer a more effective virtual reality than is achieved by computer systems. In computer-based virtual reality, the user interacts with a computer-generated world by wearing goggles containing tiny computer screens and a special electronic glove that detects hand movements. Such systems have a long way to go in mimicking waking reality; the computer graphics resolution is poor and the systems are slow and very expensive. But in the virtual reality of dreams, the dreamer experiences a world almost indistinguishable from waking reality. While lucid dreams sometimes happen spontaneously, they are fairly rare for most people. This is why researchers at the institute concentrate on developing electronic biofeedback devices and programmes that help people achieve lucid dreams on a regular basis.

The most sophisticated device is called the DreamLight. This is a small computer about the size of a hardback book with a one-line liquid crystal display and four control buttons. It is attached via a wire to a lightweight sleep mask worn by the user. Sensors in the mask detect body and eye movements and contain two tiny lights. When the DreamLight detects rapid eye movements and no body movements, it knows that the user is dreaming. It will then flash the lights in the sleep mask in a specific sequence.

In the dream, the DreamLight user sees the flashing lights incorporated in some way, such as the sun rising and setting, or car headlights flashing. The flashing lights act as a signal to the dreamer that he or she is experiencing a dream. By maintaining a balance between staying within the dream and not waking, the dreamer can experience a lucid dream lasting up to 45 minutes or more.

LaBerge is also a co-founder of the Stanford University Sleep Research Center, one of the few large research centres into sleep and dreams. He and his colleagues began developing the DreamLight technology in 1985.

"The first prototype looked more like a prop in a bad 1950s science fiction film," says LaBerge. But despite its crude nature, experiments showed that it worked well.

The institute further refined this technology and now offers not only the $1,200 (£822) DreamLight but also a less expensive version, the $275 NovaDreamer.

"The NovaDreamer has the potential to reach a very large market and help introduce large numbers of people to lucid dreaming," says Craig Webb, one of the NovaDreamer developers.

Webb adds that the institute is looking for investors and distributors to help market its technology to the large potential market. It says the technology has widespread applications – the storage capacity, up to 10 days, of a subject's dream cycles can help diagnose and treat sleep disorders without requiring lengthy and expensive visits to sleep laboratories. The institute claims it can also be programmed to sound an alarm during or before a dream – useful in treating people with recurring nightmares.

'I marvel at how real the experience of flying is'

"I'm in an unfamiliar living room with a large glass sliding door looking out on to a garden. I notice a brilliant flash of light and I'm struck by the thought that it is the flash of a nuclear explosion. I quickly run behind a large sofa to protect myself from the coming shock wave of the blast.

"I suddenly realise that the flash of light may be from the DreamLight mask and so this must be a dream! I walk outside into the garden and try to fly. It's a little awkward at first, but then I slowly rise. I marvel at how real this experience of flying is. It's an exhilarating feeling flying over the roof tops of surrounding houses. I fly into a forest and notice the deep yellow sunlight filtering through the dark green foliage of the trees. I begin to lose the dream and wake up."

This was a lucid dream this writer had using the DreamLight system. While the DreamLight helps to achieve lucid dream states, some preparation is required.

First, dream recall must be increased. Some people claim never to dream, but this is not true. Everyone has about four to seven dreams per night, but not everyone remembers their dreams. It is possible to have lucid dreams and to be unaware of the experience because dream recall is poor or non-existent.

Improving dream recall is achieved by keeping a journal of dreams. Upon waking, the dream should be be written down, even if it is just a momentary fragment. Waiting even just a few minutes to record a dream often results in forgetting its details completely.

LaBerge discovered that since dream reality is so convincing, a reality check must be made to answer the question: "Is this a dream?". Thus when DreamLight users notice ordinary flashing lights during the day, they should ask themselves this question.

"A reality check involves finding some writing, like on a banknote or a book page. You read a couple of words, then look away. In a dream, the words will have changed when you look at them again," says LaBerge. "For some reason, while the dreaming human brain can model reality so convincingly, it cannot maintain consistency with printed or written words."

The DreamLight functions must also be adjusted for each user. Some DreamLight users report that it is uncomfortable to wear the sleep mask and that the flashing light wakes them. Other users say that they sleep through the flashing lights and fail to see the signal.

But overall, experiments have shown that the DreamLight, when used with supporting mental exercises, helps increase the number of lucid dreams by as much as 500 per cent.

Technically Speaking

Africa's need to keep in touch

By Emmanuel Ohajah

To communicate with my sister Joyce in North Carolina is simple. I can telephone from a public call box using a plastic card. I can send her a fax. When I was a student, I would use electronic mail.

Soon, I will be able to talk to Joyce face-to-face, using the latest in video-conferencing systems. We can share access to current real-time and on-line communication systems, such as Internet.

To communicate with Esi, my uncle in Lagos, is much harder. Although Nigeria is one of the most advanced African nations, communicating can be difficult. Even in the most cosmopolitan places there can be problems. In April 1992, the international phone service connecting the Ivory Coast, Nigeria and Europe was down for nearly a week.

In fact, there is a distinct feeling of remoteness whenever I try to contact my Nigerian relatives. Nigeria, like many developing countries, is not part of the new communications order.

Along with many others in the west, I enjoy the latest in communications technology. Most Nigerians, however, do not have easy access to a telephone or computer – never mind the infrastructure of a modern global communications network. In the west, the humble telephone is taken for granted. In Africa, the few that do exist are expensive to use.

Cheap local calls are an important feature of western countries, while international rates, although pricey, are within the budgets of most people. By comparison, local calls in most African countries are expensive.

The other building block of today's information technology (IT) revolution is the personal computer. The PC is a window to the modern communications world; but it is difficult to talk of a "personal" computer in the African context. For example, Zimbabwe, a relatively developed African country, has only 10,000 microcomputers. In Zambia, a PC would cost six years' wages.

The 1993 edition of *Telegeography*, which tracks communications around the world, reveals their uneven global distribution. Tunisia has the only Internet host computer in Africa (excluding South Africa). In the entire African continent, only South Africa appears under *Telegeography's* national telecommunication indicators. The rest of Africa is so lacking in telephone lines, Internet host computers, mobile phones and fax machines that it does not even feature.

At a time when IT is becoming integral to every area of western society, there is a danger that the developing countries will become further marginalised and impoverished.

In all the fervour that greets each new advance in communications technology, the very partial application of IT in Africa has, in effect, created a digital fence around many of its regions. Instead of helping the developing countries overcome the gap between north and south, IT appears to be applied in a way that will cut them off from the more advanced economy of the developed nations.

Yet during the 1950s and 1960s, communication technologies were seen as an essential counterpoint to decolonisation. Radio, telecommunications and television were supposed to assist in restructuring unequal relations between north and south.

The US, after the Cold War, no longer feels the need to win hearts and minds in developing countries. Although South Korea, Singapore and Thailand are eagerly being plugged into the global networks by multinational companies, Africa is largely an IT desert.

We are witnessing the creation of a new, more marginalised "Third World". This is a great shame because, potentially, IT could be used to close the gap with the developed world. Computers, perhaps provided under international investment programmes, could help to develop more modern industries or generate models for better understanding of climatology to help improve agricultural production.

Emmanuel Ohajah is an information technology consultant.

BUSINESS AND THE LAW

Safeguards on enforcement


EUROPEAN COURT

The European Court has ruled that German civil procedure rules infringe Community law in permitting a temporary property attachment order to be issued on the sole ground that a judgment will have to be enforced in another member country.

The Court said such national procedural rules infringe the principles of a single market for judgments under the Brussels Convention on Civil Jurisdiction and Judgments. In particular, national enforcement rules which differ depending on whether a judgment is ultimately to be enforced within the domestic jurisdiction or in another member country are precluded by the prohibition of discrimination in the Rome treaty when read together with the Brussels Convention.

The ECJ gave its ruling in response to a question referred to it by the Hanseatic Oberlandesgericht of Hamburg. The question arose in the context of litigation between a German Company, Mund & Fester, and Hatrex, the international transport firm.

Hatrex had transported a consignment of nuts from Turkey which had been damaged in transit. Mund & Fester sued Hatrex for damages and interest.

Since Hatrex was based in the Netherlands, Mund & Fester also applied to the Hamburg court for a property attachment order against the truck belonging to Hatrex used to transport the nuts. The truck was still in Germany.

The German rules on property attachment orders provided that an order may be made in the context of a judgment to be enforced within the national jurisdiction only when it is likely that, without the order, enforcement would be impossible or fundamentally more difficult. Yet, when a judgment would have to be enforced abroad, that was sufficient justification in itself for an order.

The Hamburg court refused the order on the ground that the foreign enforcement provision was inconsistent with the Brussels Convention in a case where a member country was involved. Mund & Fester appealed. They claimed German rules on attachment orders were unaffected by the Brussels Convention.

The Hamburg appeal court asked the ECJ to interpret the Brussels Convention in these circumstances. The ECJ said the question effectively asked whether the Rome treaty prohibition of discrimination on the ground of nationality read together with the Convention precluded such rules which differ between domestic and foreign judgments.

First, the ECJ determined that the German provisions came within the scope of Community law. Since the Brussels Convention was based on article 220 of the treaty which dealt with the recognition and enforcement of judgments, national rules in that field are subject to relevant Community law.

Second, the Court said that the treaty prohibition of discrimination on the ground of nationality prohibited all such discrimination in areas within the scope of the treaty. Discrimination included disguised discrimination, which took the form of applying different criteria which had the same result as overt discrimination.

The Court ruled the national rules of civil procedure in question were a form of disguised discrimination on the ground of nationality. Although the rule did not exclusively prejudice foreigners, it was unlikely often to apply to Germans.

Finally, the ECJ concluded the attachment order rules were contrary to the Rome treaty's ban on discrimination since they could not be objectively justified. According to the ECJ, the enforcement risks in all member countries were no greater than in Germany because all are contracting parties to the Brussels Convention. As indicated in the interpretative report on the Brussels Convention, the territories of the contracting parties can be considered as a single entity.

C-398/92, Firma Mund & Fester v Firma Hatrex International Transport, ECJ 6CH, February 10 1994.

New Registrar

On February 9 1994, a new registrar was formally sworn in before the ECJ. Mr R Grass has now replaced Mr J-G Giraud as registrar responsible for the registry and administration of the Court.

BRICK COURT CHAMBERS, BRUSSELS

It is not clear whether employee rights legislation applies to UK public-sector policy, says **Robert Rice**

Strings attached to contracting out

If the UK government thought that by opting out of the social chapter of the Maastricht agreement it could wave goodbye to European interference with UK employment rights, it has had to think again. Its flagship policy on contracting out public sector services has been thrown into confusion by the impact of the European Acquired Rights Directive.

The directive, which was translated into UK law by the 1981 Transfer of Undertakings (Protection of Employment) Regulations (TUPE), has a simple purpose: to protect the jobs and conditions of employees when the undertaking they work for changes hands. New employers must take over existing contracts of employment, consult with unions and honour collective agreements.

In theory, the impact of the 1977 directive ought to be clear by now. In reality, it is not. After almost 15 years of virtually trouble-free operation, there is widespread uncertainty over its application. The problem is particularly acute in the UK, where doubts over whether TUPE extends to compulsory competitive tendering and market testing mean that the government's policy on these matters is said to be in danger of collapse.

Given that the profitability of public sector contracts often depends on the contractor trimming employment costs by cutting jobs and reducing the pay of those transferred, it is hardly surprising that contractors have become wary of the contracting-out process. But why has TUPE suddenly become such a problem?

Until recently, it had been assumed, in the UK at least, that the 1977 directive applied only where there was a merger, acquisition or takeover of a commercial venture. This interpretation, which would have ruled out the directive's application to the contracting out of services with a purely social or public purpose, was reflected in the 1981 regulations by excluding their application to "any undertaking which is not in the nature of a commercial venture".

But in 1992, the European Court of Justice ruled in a case called Dr Sophie Redmond that the Acquired Rights Directive could apply to undertakings that were not purely commercial in nature.

Recognising that TUPE was incompatible with European law, and faced with infraction proceedings by the European Commission, the UK government last August bowed to the inevitable – using the 1993 Trade Union Reform and Employment Rights Act to remove the offending words from TUPE. But while the act leaves no room for doubt that TUPE can apply to the contracting out of services – something that had been recognised since the Sophie Redmond decision – the question of whether or not it applies in any particular case remains uncertain.

The uncertainty has not been helped by a number of conflicting court decisions. The approach of the ECJ in Luxembourg is that the directive is capable of broad application. In the 1993 Rask case, which involved the contracting out of a staff canteen by Philips, the Dutch electronics company, the ECJ ruled that the Acquired Rights Directive could apply where an employer assigned to an outside contractor the responsibility of managing an in-house service. For the directive to apply, two conditions had to be met. The service had to form an identifiable part of the employer's operations, and it had to retain its identity after transfer.

The ECJ's guidance was followed by the English Employment Appeal Tribunal last July in the case of Wren v Eastbourne Borough Council, which involved the contracting out of the council's refuse collection services. The appeal tribunal said a mere transfer of services could fall within the scope of the regulations but, to the disappointment of all who had hoped the case would settle the issue of whether TUPE applied to compulsory competitive tendering, it referred back to the industrial tribunal the question of whether the contracting out of refuse services amounted to a transfer of an undertaking.

The European Court's broad approach was also followed by the English High Court last summer in Kenny v Woodroffe, where it said TUPE applied to the transfer of prison education services from a local authority to a local further education college.

But in August, this trend towards a broad application of TUPE by the English courts was reversed by the Employment Appeal Tribunal in the Dines case, causing fresh confusion. The appeal tribunal upheld an industrial tribunal ruling that there was no transfer when the contract for cleaning Orsett Hospital in Essex came to an end and a new contract was awarded to a different contractor. The Dines case goes to the appeal court in June.

To add to the uncertainty faced by contractors, the government's line on the application of TUPE to

contracting out has been inconsistent. Two years ago the government advised contractors to bid for contracts on the basis that TUPE applied. Now the government says it is up to contractors to decide whether it applies or not.

This is causing big problems for contractors, according to Mr Cliff Davis-Coleman of the CDC Research company specialising in local authority contracts. Mr Davis-Coleman, who founded the TUPE lobbying group, Clause 26 (named after a clause in the 1988 Local Government Act), says contractors are in an impossible situation. They are unsure whether to allow for the costs of TUPE when they tender, so perhaps submitting a bid far higher than their rivals; to bid on the basis TUPE does not apply, and risk being taken to court by employees if they win the contract; or to submit two bids.

The question of whether TUPE protects pension rights, in particular, is causing concern

By September, contractors were so confused that a survey among Clause 26 members suggested that contracting out had virtually come to a standstill. Since then, however, the situation has improved.

Ms Melanie Tether, a partner of City solicitors Norton Rose, believes that contractors and local authorities are beginning to come to terms with the fact that the initial contracting out of public services is a transfer for TUPE purposes.

Guidance from the Department of Environment published last month has clarified the circumstances in which contractors and local authorities can seek indemnities from each other for unexpected TUPE costs. And a body of industrial tribunal decisions on the application of TUPE to the contracting out of different types of services is beginning to bring some certainty to first-round tenders between private contractors and local authorities.

But problems remain. In particular, the question of whether TUPE protects pension rights and obliges contractors to provide "comparable" pension provisions is causing concern, she says. The Court of Appeal will examine this issue in the summer in the Warrener case.

Whether or not TUPE extends to pension rights may be irrelevant in the long term: the Attorney General, Sir Nicholas Lyell, has made clear that the government believes pension rights are protected by general employment law. If a new employer fails to provide comparable pension provision, employees may treat themselves as constructively dismissed and sue, he says. If the appeal court decides in Warrener that TUPE does not cover pensions, contractors may wish to challenge the attorney general's view, Ms Tether says, because it would be a substantial competitive advantage to contractors if they did not have to provide comparable pension provisions.

There is also still much confusion over the application of TUPE to second-round tenders, where one contractor is taking over from another. The uncertainty in this area, epitomised by the Dines case, is also affecting the outsourcing of services in the private sector.

According to Mr Ira Chalphin, employment research executive at the Institute of Directors, companies wanting to restructure and concentrate on their core businesses are concerned by the cost implications of TUPE. The IoD wants the UK government to put pressure on Brussels to limit the application of the Acquired Rights Directive to mergers and acquisitions. The directive is under review by the Commission at the moment.

The IoD is also hoping the European Court of Justice will take the opportunity of the forthcoming Schmidt case, which involves the transfer of a cleaner employed by a German bank to a private contractor, to limit or reverse its view of the scope of the directive which it adopted in the Rask case.

Lawyers, however, remain doubtful. According to Ms Tether, the European Court is unlikely to break new ground in the Schmidt case. People say this is an important test case because it involves only one person, she says. But the Rask case involved the transfer of only a handful of staff, and Schmidt essentially raises the same point.

She also has doubts about the government's chances of persuading the other member states to limit the scope of the directive. "Any change requires unanimity within the Council [of Ministers]. I'd be very surprised if they get what they are looking for," she says.

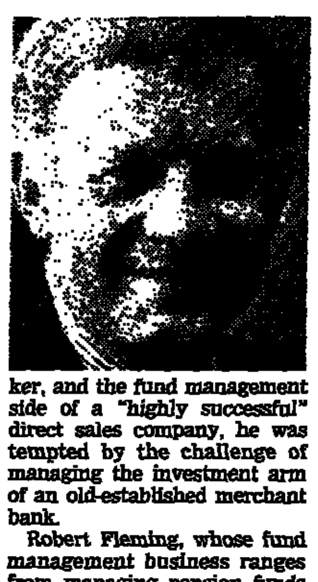
PEOPLE

Ken Inglis moves to Fleming

Why should Ken Inglis, chief-executive designate of Threadneedle Asset Management, chuck up the opportunity of putting his mark on one of London's biggest and newest firms of fund managers to join the old-fashioned Fleming Investment Management group whose funds under management are noticeably smaller?

Inglis, 50, trained as an actuary with Edinburgh-based Scottish Provident in the early 1960s, and switched into investment management in 1972. In 1983 he moved to London to head research at stockbrokers Phillips & Drew and in 1990 returned to fund management as chief executive of Allied Dunbar Asset Management.

Inglis portrays his latest move as natural career progression. Having worked for a traditional Scottish life company, a big institutional bro-



ker, and the fund management side of a "highly successful" direct sales company, he was tempted by the challenge of managing the investment arm of an old-established merchant bank.

Robert Fleming, whose fund management business ranges from managing pension funds to the Save & Prosper unit trust operation, is one of the great names in the investment business. However, its investment performance has not always been up to scratch and industry-watchers believe that the decision to bring in an outsider is an admission that it could do considerably better.

John Manser, Fleming's chief executive, describes Inglis as Fleming's "chief investment officer" and says his task will be to achieve Fleming's strategic aim of becoming "the best performing investment management business in the UK".

Inglis, who joins on June 1 as chairman of Fleming Investment Management, replaces Iain Saunders, 46, who has done the job for four years. He has been appointed deputy chairman of Robert Fleming Asset Management with "a business expansion brief". (See Observer)

■ *Michael Sherwood*, the larger-than-life syndicate manager who surprised the Eurobond market last month when he left *Goldman Sachs* for a quieter life as a fund manager at a private Swiss bank, has missed the buzz of the City so much that he has asked for his old job back.

And Goldman's top brass, eternally grateful to "Woody" for taking the bank to the top of the Eurobond league table last year, have welcomed him back with open arms. No doubt they will look favourably on him when they award partnerships in November.

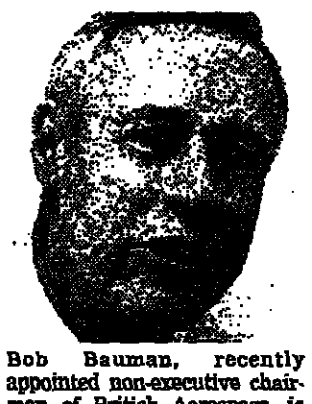
Sherwood will be back at his old haunt today and will be joined on the syndicate desk by Noel Dunn, an executive director of the firm. Sion Kearsey, who valiantly held the fort during Sherwood's absence, has also been rewarded. He has been named joint head of Eurobond trading with Chris Pigden.

■ **Ian Sands**, formerly deputy md and finance director of NatWest Stockbrokers, has been appointed head of finance and risk at NATWEST Investment Services. **John Quinn** has been appointed chief investment officer (Asia) for NatWest Investment Management.

■ **John Mercer** has been appointed md of NWS Bank, part of BANK OF SCOTLAND.

■ **John Hosie** has been appointed sales director at POINTON YORK GROUP.

Bauman head-hunted



Bob Bauman, recently appointed non-executive chairman of British Aerospace, is also finding time to go on the board of Russell Reynolds, one of the largest international headhunting companies.

Russell Reynolds, which is headquartered in New York but has now established more than half its 24 offices outside America, has been taking steps to "internationalise" its board. Though Bauman is an American citizen, he moved to London in 1986 to take up the post of chairman and chief executive of Beecham Group. Since then he earned high marks for piloting the merger with SmithKline Beckman, and become one of the UK's highest paid directors.

It was Russell Reynolds who brought Bauman, then vice chairman of Textron, across the Atlantic. Jane Kingsley, a London-based managing director at the headhunting company, says that when Bauman announced he would be retiring from SKB it would have been "a completely natural conversation" to ask him if he wanted to come aboard the headhunting firm, which is still retained by SKB. She would not elaborate further on the timing of his decision. He is also a non-executive director of Reuters, CIGNA, Union Pacific Corporation and Capital City/ABC.

The board meets "three or four times a year", Kingsley adds, "but is mainly there to give advice, so he will receive many, many phone calls."

Other members of the board include John Loudon, the retired chairman of Royal Dutch Shell, and Philip Caldwell, the former chairman and chief executive of Ford Motor Company. The company hopes to bring in a British director in the next few months.

Departures

■ **John Collins**, ceo of Wace USA, has resigned and leaves WACE at the end of March.

■ **Charles Lawrie**, md of Presto and Lo-Cost, is retiring from ARGYLL on March 31.

■ **Gareth Griffiths** has retired from AMERSHAM INTERNATIONAL.

■ **Edwin Thompson** has resigned from WOLVERHAMPTON & DUDLEY BREWERIES.

Non-executive directors

■ **Bill Goodall** will become deputy chairman of MANWEB when **Richard Morgan** retires on March 31.

■ **Duncan Clegg**, former director of Lazard Brothers, at LOW & BONAR.

■ **John King** and **Sir Timothy Kitson** as vice-chairmen at LEEDS PERMANENT BUILDING SOCIETY.

■ **Maxwell Webb** has resigned from CI GROUP.

■ **Derek Howorth**, senior partner of Helmore, Helmore & Co, at ELYS (WIMBLEDON).

■ **Thomas Donaldson**, chairman of J.P. Morgan's European credit policy committee, at ABBEY NATIONAL Treasury Services.

■ **Peter Byrom** is retiring from ADWEST.

■ **Jeremy Woan** has resigned from TADPOLE TECHNOLOGY.

■ **Stuart Henderson** as chairman at SLD HOLDINGS.

■ **John Jessop**, a former director of GKN, as chairman of CORNMILL CONSULTING INTERNATIONAL.

■ **James Woods** at BOLTON GROUP.

■ **John Bracher** has retired from ECCLESIASTICAL INSURANCE GROUP.

■ **Timothy Brennand**, retired chairman of Shell's companies in China and Hong Kong, at GOAL PETROLEUM; **Jack Spinks** is retiring.

■ **Robin Grant**, a former director of Charterhouse Bank, at CANTORS.

■ **Anthony Fay** at The BSS GROUP.

■ **Paul Whitney**, chief executive of NatWest Investment Management, at COUNTY SMALLER COMPANIES INVESTMENT TRUST; **Andrew Liddell** has resigned.

■ **Alan Webb**, former finance director of Tootal, as chairman at SLIMMA.

■ **Jack Corscadden** has retired from BELLWAY.

■ **Martin Beaver** has retired from GOVETT STRATEGIC INVESTMENT TRUST.

■ **Sir John Sparrow** as deputy chairman at NATIONAL & PROVINCIAL BUILDING SOCIETY.

■ **Pérez de Cuéllar**, former secretary general of the United Nations, at INVEST, a London company owned by the Bonomi family.

■ **David Dryer**, a former director of consultancy at BIS Applied Systems, at AMTEC CONSULTING.

Concert/**Richard Fairman**

La Damnation de Faust

There are problems in trying to attract the top international conductors to London. Many of them are exceedingly expensive and, even if they can be lured to come, only want to conduct works that they have either just recorded or are taking with them around the world's capitals.

Nevertheless, if a London orchestra wants to look competitive against its rivals, it has to enter the fray. The Philharmonia has been striving to put together a distinctive line-up of conductors, among whom the successor to its Music Director Sinopoli (still not announced) will clearly be the most important. The prestigious new arrival on its list is James Levine, a high-profile figure in New York, Bayreuth and Salzburg, but not seen in front of a London orchestra for several decades.

His return was well handled. By scheduling a series of three programmes the Philharmonia made sure that the concerts could be marketed to best advantage (there were queues for returns) while also giving an overview of Levine's musical sympathies. The Beethoven and Mahler concerts met with mixed opinions; by all accounts the best – a performance of Berlioz's *La Damnation de Faust* – was left until last.

It seems no coincidence that Levine has had his biggest successes in the opera-house. The Berlioz may not be an opera (even though it was recently staged at Covent Garden) but it calls for an opera-conductor's sense of atmosphere and pacing. Levine succeeded in providing most of that and took care over every bar, not just the showpiece orchestral numbers.

In his hands the work aspired to grand opera status, which was clearly intentional, as Levine had brought with him a heroic Faust in Gary Lakes. Perhaps Faust's Invocation to Nature does call for a grandeur of utterance, but it would take the devil himself to get a voice of this size to sing with the flexibility that most of Berlioz's music presupposes. Maria Ewing brought inner intensity to Marguerite's solos; Roderick Earle made a lively impact as Brander. José van Dam sang a wickedly subtle Méphistophélès, suave, ingratiating, diabolic, making every word of the French text count.

Only a couple of years ago the Philharmonia put on *La Damnation de Faust* with Charles Dutoit – not such a high-class performance as this, but it did exhibit a sense of French style that is not in Levine's bones. Where he gained the upper hand was in the standard of singing which he obtained from the Philharmonia Chorus and, above all, the quality of ensemble from the orchestra. This was an evening when the Philharmonia sounded confident of its place in the international league.

Richard Fairman

Sponsored by AT&T and NCR

Theatre/**Anthony Curtis**

The New Menoza

Here is a theatrical oddity well worth making the journey to Notting Hill Gate to explore. This translation by Meredith Oakes of Jakob Lenz's *The New Menoza* was commissioned by the Gate Theatre and first performed last year at the Edinburgh Festival where it received appreciative notices. Now it has been re-staged and inaugurates a season of 18th century comedy at the Gate's newly furbished headquarters.

Lenz was a friend of Goethe's whom he met in Strasbourg in 1770 when as a theologian from Livonia (now Latvia) he formed part of a brilliant circle of writers. They largely initiated the Storm and Stress movement. In their case this meant not merely a subversive life-style in reaction to teutonic autocracy but the attempt to vitalise the resources of the German language for literature, especially the theatre.

Lenz's plays revealed the strength of German prose as a dramatic medium. Apart from *The New Menoza*, the other two outstanding ones are *The Soldiers* and *The Tutor* (all available in English from Oberon Books, N7 9RH).

Based in Strasbourg the group were conscious of French dramatic doctrine as much as they admired Shakespeare. Lenz the playwright derives from both traditions. This play ends with the Mayor of Naumberg denouncing the classical unities – one of three stunning cameo performances given by Tom Chadbon during the evening – to his languidly decadent son (Pearce Quigley), a bored upholder of them.

The director/ designer David Fielding might have been tempted to cut this scene. At first it seemed an anti-climax after the high-spots of the masked ball and violent bloodbath, that preceded it, both most ingeniously staged; but on reflection it emerges as the key to the play. Through an absurdly complicated plot centering on the arrival in Naumberg of a mysterious Prince of Arabia (Peter Lindford), Lenz takes up motifs such as mistaken paternity and forced marriage that are the stuff of classical theatre and one after another he deconstructs them.

The problem is to prevent the whole thing degenerating into a sorry farce. But, miraculously in this excellent production, it is avoided thanks to the definition given to their roles by the 10-strong company, lifting them right out of the stereotypes. The play explodes like a well-organised display of fireworks through the formidable energy with which the actors attack it in the limited space at their disposal. Tristam Jellinek leads the way as the bumbling *pater familias* whose nubile daughter (Amanda Royle) the men all covet, and everyone else gloriously follows suit. Not to be missed.

Anthony Curtis

At the Gate Theatre until March 19.

Feats of clay

*When does a work of craft become a work of art? **William Packer** meets the problem head on in 'The Raw and the Cooked'*

The debate between the Fine and the Applied Arts is an old and hoary controversy. In the Victoria & Albert or the British Museum we have little difficulty in taking Renaissance gold and silver, Chinese porcelain or Celtic jewellery as true art, singular and beautiful in the particular marriage of the aesthetic with the practical. Going round a workshop or exhibition of contemporary craft, we are not so sure.

Objet d'art remains ambiguous and faintly patronising a designation. When, quite, does a work of conventional craft transcend itself to become a work of art? Might it not be a work of art in any case, its transcendence quite unnecessary? Taking new work in clay in Britain as its material subject, *The Raw and the Cooked*, shown at the Barbican before Christmas and now at Oxford, tackles the issue head-on by the simple expedient of ignoring it. That it should come up with no answer is merely to double the irony.

Clay is, or rather was, quite as much the staple of the sculptor's as of the potter's practice, flexible and convenient, yet oddly neglected by sculptors in our century. So it was that 32 assorted sculptors and ceramists were invited to show examples of current work, which are here set up to take their chances indifferently alongside each other, without benefit of category or caveat.

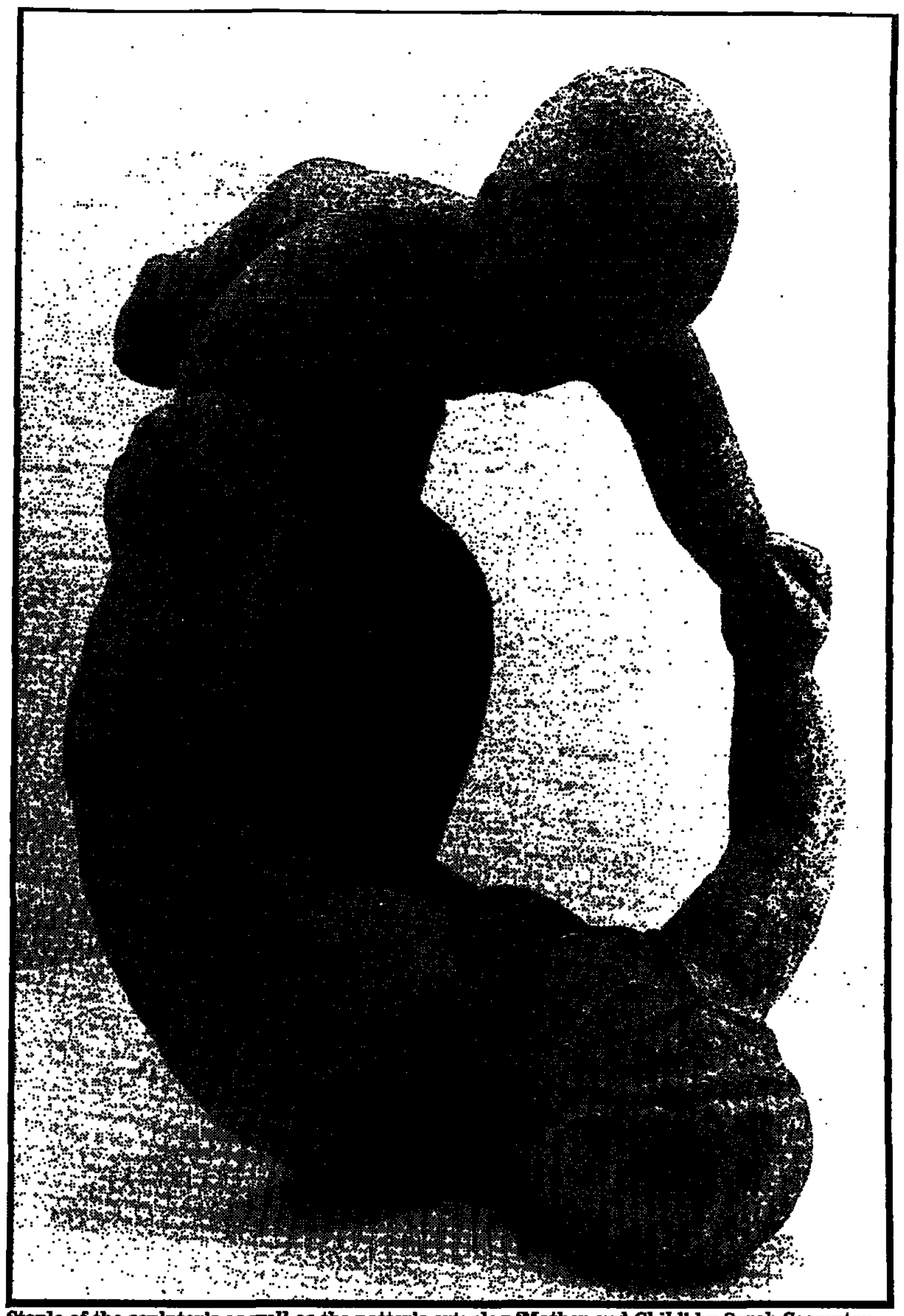
The result is intriguing and often delightful in the particular, but frustrating overall. The most directly successful and impressive are those exhibitors who are simply getting on with what we know they do, continuing to develop in their work, and doing it very well. They all fall on the craft side. Such exhibitors as Elizabeth Fritsch, Ken Eastman, Carol McNicol and Alison Britton may all be making pots that have a decidedly sculptural quality to them, but pots nevertheless.

Least satisfactory are the acknowledged sculptors, whether showing sculpture as such or decorated pots. Antony Gormley's procession of pinched and blobby mannikins, receding to infinity, is merely silly, the more so for the vast space it neutralises. Tony Cragg's solid jar-and-bottle forms in rough clay, sliced like loaves, are no more than a perfunctory exercise. Bruce McLean has thrown a pot together, and thrown an image onto it. He speaks of an elegance that could be there, if only he gave it a moment to catch its balance. All three artists seem self-conscious, as though to say: here is the chance to make a point, say something significant, do something special.

And in between falls the majority, craftsmen by discipline but easing themselves into no-man's-land in the direction of sculpture, producing work that is distinguished in itself but which confronts the issue they know will never be resolved. Gordon Baldwin's ceramic objects, Ewan Henderson's more roughly sophisticated totems, Jacqueline Poncelet's quirky fetishes, Susan Halls's raku beasts like trophies hung in the ancestral hall, Philip Eglin's Madonna and Child – all are authentic and convincing in themselves, beautiful and intriguing. I was particularly taken by Tracey Heyes's stoneware disembodied dresses, active figures without the figure itself.

Do these makers all yet accept in their hearts that the old distinction is not to be denied; that what they do is something more than craft, and less than art? It is the very question, perhaps, that is mistaken, and less and more have little to do with it. What this show makes clear is that the integrity of what is done is what matters, and that the tired question of relative status, artist or craftsmen, neither here nor there. Whatever he does, an artist is an artist if he is an artist: it is as simple as that. All very easy to say, of course, but it takes little account of the market and general prejudice and perception. Why should a drawing, pencil on paper, command more, as a matter of course, than a pot? Answer: because it does.

Even so, the Fine Crafts in Britain consistently offer us work across the full range of disciplines that is second to none in the world. Its originality and quality, both technical and aesthetic, speak for themselves whenever such work is shown, but its economic success is less well celebrated. The fact is that the Fine Crafts collectively make a financial contribution within the small business sector of the national economy that is quite disproportionate to its size. That this should be so is in part due to the efforts of the Crafts Council, founded some 20 years ago precisely to foster and promote such activity – and it is sad to see that success still so often ignorantly disparaged, as it was by ITN's *News at Ten* some weeks ago in one of its special reports on government quangos.



Staple of the sculptor's as well as the potter's art: clay 'Mother and Child' by Sarah Scampton

■ The Raw and the Cooked: new work in clay in Britain; Museum of Modern Art, 30 Pembroke St, Oxford, until April 10, then to Swansea and Shigaraki, Japan. Supported by the Crafts Council, and Medite of Europe

Swiss put Massenet on the European opera circuit

Andrew Clark reviews a new production of 'Thaïs' in St Gallen which reveals the opera to be a parable of self-discovery, at once noble and tragic

Britain may be enjoying a Massenet revival, but German-speaking Europe remains impervious to his charms. Massenet's music is too pretty to appeal to German taste. His romantic subjects lack the psychological breadth on which the German opera world thrives. Massenet was, quite simply, the most un-German composer of his time.

Now comes a revelatory production of *Thaïs* in eastern Switzerland to challenge all those assumptions. It has been mounted by the St Gallen city theatre exactly 100 years after the work's premiere, and is the first *Thaïs* to be staged in German-speaking Europe. The opera emerges as a sensuous, sensitive duo-drama, a conveyor of potent human truths, an example of *théâtre musical* at its bravest and least sentimental.

The tale of a prostitute finding God and a monk who succumbs to carnal lust is an open invitation to kitsch – or to the kind of crude sexual imagery in which German theatre abounds. The Austrian producer Franz Winter, with Hans-Martin Scholder (decor) and Eva-Maria Dessecker (costumes), avoids both extremes, finding instead a parable of self-discovery, at once noble and tragic.

The performance unfolds between two white walls, supplemented where necessary by a transparent curtain or a simple prop. The Egyptian setting is captured by the lighting and by the mildly exotic costumes, more colonial than early Christian. But the opera's decorative potential is deliberately underplayed in order to enhance the psychological insights. With no breaks for scene changes (and no ballet), the production mirrors two contrasting sides of the human condition – spiritual frugality and worldly hedonism – with a seamlessness reflected in Massenet's score.

St Gallen deserves credit for finding a near-ideal Thaïs and Athanaël. The Greek soprano Jenny Drivala achieves the transition from sinner to saint with lifelike conviction. For the first part of the evening she is very much the *femme fatale*. Her costume and body language match the erotic and fragile quality of the music, while her spartan demeanour in the final act is exactly right.

In between comes Thaïs's conversion. Here Winter introduces a non-singing extra – a black chambermaid-cum-confidante – who provides a private audience for Thaïs's aria, before stripping her, bathing her and gently, comfortingly embracing her to the accompaniment of the famous *Méditation*. This intimate scene achieves its impact by power of suggestion, rather than fully-frontal nudity, and is mesmerising.

Miss Drivala not only has a figure most prima donnas would kill for, but enough high-wire courage and musical intelligence to make the part her own. The voice has a delicate, intense quality, neither big nor sumptuous. She is partnered by the young American baritone Philip Zawisza, whose warm timbre and more-than-acceptable French are a boon to Massenet's vocal lines. His acting is equally convincing, notably in the way his Jimmy Swaggart-like zeal turns into sexual obsession.

The musical quality is underpinned by Patrick Fournillier, the French conductor who played a key part in the success of WNO's recent *Cendrillon*. He allows the singers to be heard above Massenet's large orchestra and – despite the undernourished St Gallen strings – negotiates the delicate harmonic progressions, soft melodic contours and instrumental colouring with complete stylistic assurance.

The entry on *Thaïs* in *New Grove* concludes that "it is, in many ways, an opera still awaiting its first serious production". In the unlikely setting of St Gallen, that landmark has surely been reached.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Muziektheater Tonight, tomorrow, Fri, Sat, Sun afternoon, next Mon, Tues and Wed: Dutch National Ballet in choreographies by Petipa, Tetley and Massine. Thurs: Hartmut Haenchen conducts final performance of Willy Decker's production of Wozzeck, with John Bröcheler and Marilyn Schmiege. March 3: Alberto Zedda conducts first night of revival of Dario Fo's production of Il barbiere di Siviglia (020-625 5455)

Concertgebouw Tomorrow, Thurs, Fri: Carlo Maria Giulini conducts Royal Concertgebouw Orchestra in works by Franck, Debussy and Ravel. Sat afternoon: Michael Tilson Thomas conducts Rotterdam Philharmonic Orchestra in Mahler's Ninth Symphony. Sun afternoon: Combattimento Consort plays a baroque original instrument programme. Sun evening: Ton Koopman conducted Amsterdam Bach Soloists and Baroque Choir in Telemann's oratorio Der Tag des Gerichts. Mon: Freiburg Baroque Orchestra plays Vivaldi and CPE Bach, with cello soloist Anner Bijlsma. Next Tues: Gidon Kremer and Martha Argerich (020-671 8345)

■ BRUSSELS

Palais des Beaux Arts Tomorrow: Alban Berg Quartet plays string quartets by Haydn, Berio and Janacek. Thurs: Wiener Akademie plays an all-Haydn programme, with trumpet soloist Reinhold Friedrich. Fri: Michael Gielen conducts South West German Radio Orchestra in Berg and Zemlinsky. Sun afternoon: Peter Hirsch conducts Belgian National Orchestra in Weber, Mendelssohn, Debussy, Tchaikovsky and Dukas, with violin soloist Alexander Barantschik. Mon: Ensemble Clément Janequin, with counter-tenor Dominique Visse, presents a programme of music by 16th century Flemish composer Orlande de Lassus (02-507 8200)

■ CHICAGO

CHICAGO SYMPHONY
Mariss Jansons conducts works by Weber, Korngold and Shostakovich on Thurs, Fri afternoon and Sat at Orchestra Hall, with violin soloist Samuel Magad. James Galway gives a flute recital on Sun (312-435 6666)

THEATRE
● The Don Juan Project: Baliwick Repertory, one of Chicago's adventurous small theatres, presents eight takes on one of literature's most famous rakes - from a new version of Jose Zorrilla's 1884 play Don Juan, to Shaw's Don Juan in Hell and a new feminist revision, Dear Juan. Till March 6 (312-327 5252)
● Oleanna: David Mamet's two-hander about sexual harassment has become one of the most-produced plays in America. This production is directed by Michael Maggio at Wellington Theatre (312-975 7171)

■ GHENT

de Vlaamse Opera Tonight, Thurs, Fri: Evelino Pido conducts Guy Joosten's production of La Cenerentola, with cast headed by Alison Browner. The production can be seen in Antwerp on March 1, 3, 4 and 6 (091-225 2425)

■ THE HAGUE

Dr Anton Philipszaal Tonight: Simon Rattle conducts Orchestra of the Age of Enlightenment in symphonies by Mozart and Schubert. Thurs, Fri: Andrew Parrott conducts Hague Philharmonic Orchestra in works by Tippett, Barber and Elgar (070-360 9810)

■ UTRECHT

Vredenburg Thurs: Ton Koopman conducts Amsterdam Bach Soloists and Baroque Choir in Telemann's oratorio Der Tag des Gerichts. Fri: Lev Markiz conducts Radio Chamber Orchestra in a Shostakovich programme, with cello soloist Dmitri Ferschtman. Sun afternoon: Jean Fournet conducts Radio Philharmonic Orchestra and Chorus in works by Florent Schmitt and Chausson, with soprano soloist Françoise Pollet. Next Mon: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in Berlioz, Lalo and Strauss, with violin soloist Igor Oistrakh (030-314544)

■ VIENNA

OPERA/DANCE
Staatsoper Tonight, Fri: Kenneth MacMillan's ballet Manon. Tomorrow, Sun: L'Italiana in Algeri with Vesselina Kasarova and Ferruccio Furlanetto. Thurs and next Mon: Lucia di Lammermoor with Edita Gruberova and Dennis O'Neill. March 2, 6, 10: Samson et Dalila with Carreras and Baltsa. March 18, 21, 23: Carlos Kleiber conducts Der Rosenkavalier (51444 2955)
Messepalast Tonight, tomorrow, Thurs: Twyla Tharp Dance Company. Sat, Sun: Nederlands Dans Theater. March 1-3: Compania Nacional de Danza from Madrid. March 5-9: Cloud Gate Dance Theatre (586 1676)
Volksoper Fri: first night of new production of Bizet's Pearl Fishers, sung in German (51444 2959)

CONCERTS
Musikverein Tonight: Martin Sieghart conducts Stuttgart Chamber Orchestra in works by Haydn and Stravinsky, with cello soloist Natalia Gutman. Tomorrow: Gidon Kremer and Martha Argerich play works for violin and piano by Beethoven. Fri evening, Sat afternoon, Sun morning: Riccardo Muti conducts Vienna Philharmonic Orchestra in Beethoven, Stravinsky and Dvorak. Sat and Sun evening: Georges Prêtre conducts Vienna Symphony Orchestra and Chorus in Poulenc's Gloria and Fauré's Requiem. Sat and Mon (Brahms Saal): Deon van der Walt song recital. Next Mon: Barcelona City Orchestra plays Gerhard and Falla (505 8190)
Konzerthaus Tonight: Georges Prêtre conducts Vienna Symphony Orchestra in works by Webern, Ravel and Mahler, with vocal soloists Anne Gjevang and Siegfried Jerusalem. Thurs: Sandor Vegh conducts Camerata Academica in Mozart, Haydn and Schubert. Sun: Lynne Dawson and Curtis Rayam head the cast in Handel's Jeptha (712 1211)

THEATRE
Burgtheater A new production of Ibsen's Peer Gynt, directed by Claus Peymann, opens on Sat (51444 2218)
Raimund Theater Kiss of the Spider Woman, the Kander and Ebb musical, runs daily except Mon (Wien-Ticket 58885)

■ WASHINGTON

MUSIC/DANCE
● Paul Taylor Dance Company is in residence this week at Eisenhower Theater (202-467 4600)
● Lisa Gasteen and Richard Margison head the cast in Washington Opera's production of Un ballo in maschera, opening at Kennedy Center Opera House on Sat (repeated March 3, 6, 8, 11, 14, 19). Madama Butterfly joins the repertory on March 5 (202-416 7800)
● Richard Goode plays four Beethoven piano sonatas on Sun at Kennedy Center Concert Hall (202-467 4600)

THEATRE
● Breaking the Silence: Stephen Poliakoff's 1984 play about the struggles of a family on the run from the Russian Revolution. Till March 20 at Church Street Theater (202-657 2465)
● Raft of the Medusa: Joseph Pintauro's poignant play about an Aids support group who discover their differences in an explosive way. In repertory at Signature Theater till March 4 with Vera, Roland Reed's play about a woman who fights for equality and a new life (703-820 9771)
● Othello: Shakespeare's play is directed by Irene Lewis at Center Stage's Pearlstone Theater. Till March 20 (410-332 0033)
● Grease: the rock and roll musical comedy in a Tommy Tune production directed by Jeff Calhoun. Till March 20 at National Theater (202-628 6161)

■ ZURICH

Opernhaus Tonight: La boheme with Katia Ricciarelli as Mimi. Thurs: Fidelio with Gösta Winbergh as Florestan. Sat: Nikolaus Harnoncourt conducts Le nozze di Figaro, with Ruggero Raimondi as the Count (repeated March 3 and 6). Sun morning, next Tues evening: Riccardo Chailly conducts Bruckner's Eighth Symphony. Sun evening: choreographies by Ek, Van Manen and Bienert (01-262 0909)
Tonhalle Sun: Howard Griffiths conducts Zurich Chamber Orchestra in works by David Matthews, Beethoven, Sibelius and Mozart, with piano soloist Patricia Pagny. Next Mon: Frank Peter Zimmermann, accompanied by Alexander Lonquich, plays violin sonatas by Mozart and Brahms. Next Tues (Kongresshaus): Montserrat Caballé (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
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Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

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NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
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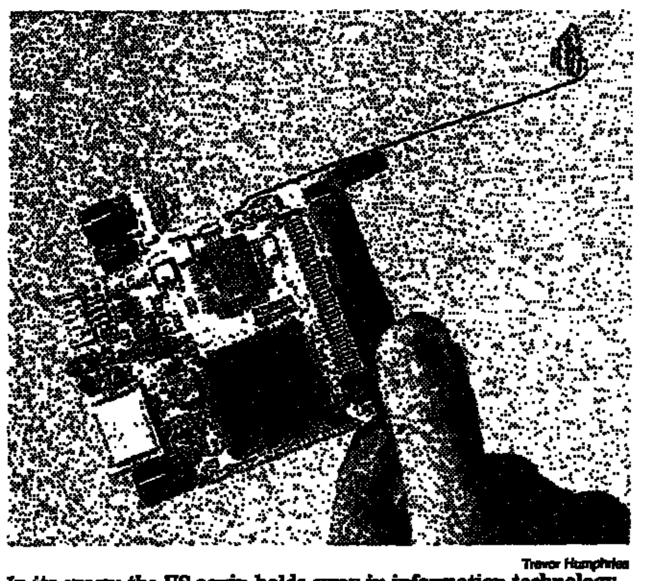
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

THE US STRIKES BACK

America's high-tech industry is in the lead again, say FT writers

Progress out of chaos


Trevor Humphries

In its grasp: the US again holds sway in information technology

The much-trumpeted revival of US manufacturing in the 1990s, though patchy, seems beyond dispute in one vital area. In high-tech electronics, especially the converging worlds of computing and telecommunications, the US has reasserted its dominance in the past three years.

Some would say America's lead here was never really in doubt. But in the mid-1980s, it seemed to be narrowing. At one end of the chain, the US consumer electronics industry was in a nosedive. Further up, the Japanese were taking over the production of semiconductor memory chips. At the top of the chain, and perhaps most worrying from a strategic viewpoint, the US was rapidly losing ground in the market for the highly sophisticated equipment needed to manufacture semiconductor chips.

Now, while the US has ceded the manufacture of low-profit-margin, commodity electronics products such as memory chips and television sets, it is racing ahead in many aspects of information technology.

US companies dominate such critical areas as microprocessor chips, computer software and personal computers. There has even been a comeback in machines for making semiconductors. The leading US supplier, Applied Materials of California, now claims to be the biggest in the world.

For once, the revival is not just a function of the shrinking Japanese economy and the strength of the yen. The electronics industry is seeing shifts in technology and markets which play to America's strengths, just as the 1980s exposed its weaknesses.

In information technology, runs the argument, the US has three basic advantages:

- Communications. Competition in long-distance telephone services and the growing freedom of the regional "Baby Bells", created by the break-up of AT&T in the early 1980s, have encouraged innovation in US telecommunications, producing lower-cost, more advanced telephone services.

At the same time, the American talent for entertainment – especially TV and video – has produced explosive demand for cable television networks. As a result, the spread and variety of electronic links between US offices, factories and homes is a long way ahead of Japan.

- Use of personal computers. The vast majority of US offices are equipped with networked PCs. About one-third of US households also have at least one PC. Japan by comparison has been slow to take advantage of PC technology.
- The enterprise culture. California's Silicon Valley is still characterised by a diversity of start-up companies, underpinned by a powerful and sophisticated venture capital industry.

On the basis of these advantages, the US is racing to build broadband networks, able to convey interactive media, which link homes, offices, schools and hospitals. The Clinton administration has called the development of such an "information super-highway" a national goal.

Industry leaders claim the super-highway will not only create markets for their inventions, but change the world, or at least the US. "Sceptics may disagree, but I believe the impact of this revolution will rival that of the electric light or the telephone or, perhaps, printing itself," says Larry Ellison, president and chief executive of Oracle, a leading US database software company.

The confidence that imbues the US industry is in contrast to the defeatism of the late 1980s. There are still exceptions, such as International Business Machines and Digital Equipment, the two largest computer companies, which are struggling to adapt to shifts in technology and markets. As a whole, though, the sector has turned itself round.

In personal computers, the US was bracing itself in the 1980s for a Japanese invasion. The Japanese had captured the semiconductor market, it was said, and their next target would be PCs. The reverse has happened: US PC manufacturers are making inroads in the Japanese market.

One reason is the pace of technology change. "The big players in the Far East used to think all they had to do was fill a boat with cheap products and send it here," says Safi Qureshey, head of AST Research of California, the world's fourth-biggest personal computer maker. "Now it turns out that, by the time the stuff lands here, it's a little bit slow, a little bit old, and they can't sell it at a profit."

Some Silicon Valley executives say the pace of change also favours US entrepreneurial companies in a more fundamental way. Harvey Jones, head of the software company Synopsys, argues the electronics industry alternates between two phases: that of innovation, or chaos, and that of production, or standardisation.

At present, he says, the industry is going through a chaotic upheaval. In telecoms, he says, "we have Ericsson, Alcatel, Siemens, NEC, Fujitsu and AT&T as customers. When we see them all in frenzied mode after God knows how many telecom strategies, you say to yourself that we're in a huge cycle of innovation. The same is true in multimedia. It's all pre-standardisation, and all creative invention."

This is the phase in which US-style creative diversity wins over the large-scale, straight-line approach of the Japanese giants. Take the initial innovative stage of semiconductors, says Jones. "That was a phase when companies like Intel and Fairchild could do no wrong. Then, as it settled down, people said 'hey, a memory's a memory, and it's got to fit into this one kind of socket on the board'. Then, all of a sudden, the Japanese came in and took over."

This does not mean that the US is doomed to lose its high-tech edge again. US companies are more aggressive today in protecting their intellectual property rights. Semiconductor manufacturers demand higher royalties on their patents, and software companies vigorously enforce their copyrights. Thus it will be more difficult for any foreign competitor to take advantage of Intel's latest microprocessor innovations than it was for Japan's chipmakers to become leaders in the market for the dynamic random access memory chips, which Intel also invented.

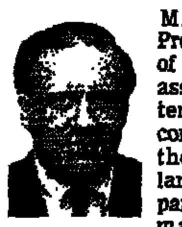
Through international alliances, US companies are also taking advantage of low-cost mass production abroad – in Taiwan, China, Singapore and Malaysia, for example. Even though the majority of circuit boards for PCs are made outside the US, American companies win most of the profits in the world PC market.

The biggest advantage for US high-tech manufacturers, however, is that technology trends are being set in their home market. This has long been the case in computer hardware and software, but it is increasingly true of telecommunications and even consumer electronics. Most important, the US leads the world in working out how these technologies converge.

Report by Martin Dickson, Louise Kehoe and Tony Jackson. Earlier articles appeared on February 7 and 15

Joe Rogaly

Buskers' timid tune



Mr John Prescott is one of Labour's few assets. Unfettered by the conventions of the English language, the party's spokesman on employment (and would-be deputy leader) manages to convey more with his unique syntax than does, say, Mr Gordon Brown, whose anxious blending of cliche with buzz-word, sound-bite with jargon, dark warning with sweeping intimation, can make it tedious to unearth his meaning. This observation applies only to recent ponderous examples of the shadow chancellor's written prose. He can be very funny in the House of Commons. Face-to-face, he is crystal clear. On TV, however, he is less than a barrel of laughs. Mr Prescott scores higher on most counts, although some of his spoken sentences are difficult to parse. Even Mr Robin Cook, with his wizard's beard, rapid-fire brain and rapid-fire mouth, is not quite so engaging as the garrulous shadow employment secretary.

Why, it may be asked, do we need to bother with any of these three gentlemen? Is Labour not intellectually dormant? One answer is that in 1996, which is only two tax increases away, they may be senior members of a Labour cabinet. Another is that their names appear on *Financing Infrastructure Investment*, a consultative paper published yesterday.

A warning is necessary here. The apparently tripartite authorship is a consequence of brotherly turf-sharing in the shadow cabinet. The names Brown, Cook, Prescott appear in order of seniority. The closely-argued paper, which is mainly about the technicalities of public-private finance, was three-quarters prepared in Mr Prescott's office. He has been propounding the central thrust of it for some five years. The quality of the finished product invites us to suspend our disbelief in the possibility that anything worth arguing about can be produced by Britain's principal political parties.

Do not be misled by the use of that word "quality". Everything is relative. In the empty auditorium of British political debate we must be grateful for whatever busking turns up to offer us enlightenment. These three are busking more interestingly this week than for some time past. That's all. Although there is much talk about promoting a partnership between business and the state, the Prescott *et al* thesis does not constitute a new economic theory, a substitute for socialism, a repackaged form of capitalism, or even a storyline that might give waverers a positive incentive to vote Labour. It simply ignores old-style nationalisation and looks instead at the practicalities of bringing private capital into public initiatives. It does so with a sharper eye than the Treasury will currently permit. At its best, it outflanks the Tories on the right, which is what an opposition party should do.

The Prescott et al thesis does not constitute even a storyline that might give waverers a positive incentive to vote Labour

The cynical might dismiss the exercise as another episode in Labour's perpetual search for off-balance sheet financing, a piece of hocus-pocus to dodge the tax consequences of the party's high-spending intent, an opportunistic bid for votes for a less tatty Britain. It is not quite so obvious as that. For example, it proposes the sale of regulatory restrictions. This implies that, say, Oftel's grip on BT might be eased in exchange for an undertaking to develop a fibre-optic network. Of course there is *some* chicanery in this. There is no intimation that the price might be paid in higher call charges. We are, remember, talking about a political document.

More down-to-earth sections seek to remove what the paper calls "obstacles to partnerships between public and private sectors". Take the Treasury rule that where the taxpayer assumes all the risk, the private partner cannot expect all the rewards. Labour, you will be relieved to hear, agrees. The rule has, however, prevented the conception, let alone the birth, of many a public-private joint venture. The answer is to redefine risk. The state might insure investors against events over which it has control, such as changes in the law, the sudden imposition of safety codes or ministerial bumbling. The private partner could absorb the risk associated with design, efficiency, cost and late completion. Such a compromise might have facilitated an earlier start to the channel tunnel rail link, more cheaply than will now be the case.

Another disincentive to bringing in private money is the low rate of return likely under existing rules. A leading article in Monday's Financial Times pointed out that the Treasury insistence that Railtrack should budget for a 5.6 per cent return on its assets, rising to 8 per cent in four years, constitutes an excessively tight target. The consequent charges for using the rail network reduces the attractiveness of investment in rail operations. The Prescott-plus paper says that 8 per cent was set for all projects by Mr John Major in 1989, when he was chief secretary to the Treasury. It is now higher than the average real rate of return on private non-oil assets. Nervously Labour's paper suggests "re-opening this issue".

The authors are just as timid, and with more reason, when they propose a redefinition of the public sector borrowing requirement. The convention in continental Europe, says the paper, is to treat publicly-owned activities that earn a market return differently from those that do not. This suggestion for writing-down the PSBR is no more infamous than the dozens of writings-down of the level of unemployment by the Conservatives. It is supported by the convergence criteria set in the Maastricht treaty. "We are consulting on this," say our bold, radical authors.

The principal source of these tentative suggestions is, remember, associated with the left of the party. Mr Prescott's antecedents come through, *sotto voce*, in the paper's affirmation that projects should be initiated and led by the government, which should set priorities. Regional investment banks are still in the mix. There is no acknowledgement of the Concorde factor, namely that colossal waste can result from decisions by officials. On the contrary the private sector is regarded as equally prone to error. There is material enough for the Conservatives to tear to shreds. The problem is that their own "private finance initiative" is initiating very little. Perhaps that is why Sir Alastair Morton, brought in to revitalise it, will address Labour's symposium on Thursday. The co-chairman of Eurotunnel can tell them about financing the link.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Germany escaping stranglehold

From Mr Holger Schmieding.

Sir, Your stimulating leading article, "In Germany, it may get worse" (February 15), seems to portray the looming labour dispute in west German metal engineering as a threat to a possible recovery. However, it could also be seen as the birth pangs of a most beneficial revolution.

The labour market is finally escaping the traditional stranglehold of big labour organisations and big business. The profound change is driven by west Germany's deepest post-war recession, a structural shift from industry to less unionised services and a growing awareness of the disaster that Germany's corporatist organisations caused in east Germany with excessive wage accords.

This January's pilot agreement in the west German chemicals sector not only delivered an effective wage increase of 2 percentage points below current inflation. It did away with more labour market taboos than even the most ardent optimists had hoped for. The 35-40 hour corridor for the working week, more leeway from bargaining at company level, and lower wages for long-term unemployed re-entering the labour market are among the achievements.

Even IG Metall, once the most powerful union in the non-communist world, has yielded a lot. It may still try to fight a lamentable rearguard action against the trend. But if it indeed took an open conflict to clear the way for a more flexible and efficient labour market, the economy should emerge stronger rather than weaker from it – apart, of course, from a short-term dip in a quarterly gross domestic product growth rate. And even if, for whatever reason, the final settlement in metal engineering would not deliver the needed extra flexibility, the change would most likely come about nonetheless.

The present stream of companies leaving the employers' association and striking their own tailor-made deals with the workforce would probably swell to a flood, making the outdated central bargaining ritual more and more obsolete.

Holger Schmieding,
senior economist,
Merrill Lynch Bank AG,
Frankfurt/Main,
Germany

Bridge toll

From Ms Kathleen MacRae.

Sir, Re your story on the Sky toll bridge ("Tolls will be steep on the high road to Skye", February 10) it must be stressed that the agreement with the developer is "... that the actual duration of the toll period would be the period which results in the collection of tolls with a net present value of £23.6m discounted back to December 1990 at a real interest rate of 6 per cent or 27 years, whichever period is the lesser".

A 15-year period is based on the most optimistic traffic growth forecast and has credibility only as propaganda with apologists for the high-toll regime.

Kathleen MacRae,
Sky Bridge Appeal Group,
Breakish, Isle of Skye IV42 8QA

Need for subsidies will threaten rail network

From Mr Roger Ford.

Sir, Having been one of the few national newspapers actively supporting railway privatisation, the Financial Times can hardly complain if it doesn't like the way it is turning out ("Selling the railways", February 21).

Far from the new track charges meaning that "fewer of the franchises will be profitable without public subsidy", they mean that 23 out of the 24 are already loss-making. The exception, to no-one's surprise, is Gatwick Express.

I say already because the new train leasing charges have yet to be announced. I calculate that these will add a further £600m to operating costs.

Thus, not only will all franchises have to be subsidised, they will have to be heavily subsidised. And while, as you point out, it is a money merry-go-round, the grant needed to get the merry-go-round turning will be more than over £2bn, roughly double the present Public Service Obligation (PSO).

This perceived doubling of railway subsidies must present a serious threat to the future stability of the network since it suggests that railways are an irredeemably inefficient form of transport, reinforcing existing prejudices in certain quarters of Whitehall.

Roger Ford
business editor,
Modern Railways,
8 Russellcroft Road,
Welwyn Garden City
Hertfordshire AL8 6QT

High cost of share options

From Mr C W Daws.

Sir, Whatever views one may hold about share option schemes, one thing should be made clear. They are not costing large amounts of lost tax – quite the opposite.

Most directors who exercise high-value share options will sell the shares immediately. So the director who realises a gain of £1m will be subject to 40 per cent capital gains tax on virtually all the gain, just as he would have paid 40 per cent income tax on a £1m bonus.

The director's gain is the company's loss. The shareholders will lose value of £1m just as surely as if the company had paid a bonus of the same amount to the director. The vital difference is that the bonus payment earns a corporation tax recovery of £330,000, making a net cost of £670,000, whereas the cost deriving from the share option gets no such relief. So share options are a much more expensive way of delivering value to directors than cash bonus schemes. The only reason share option schemes persist is because the cost to shareholders does not appear in the profit and loss account, or indeed anywhere else in the accounts, and it is only through the newspapers that some of the largest figures are revealed.

If shareholders really appreciated what share option schemes are costing them, particularly in terms of extra tax, they would close the schemes overnight and replace them with cash bonus schemes.

C W Daws,
Church Commissioners,
1 Millbank,
London SW1P 3JZ

Greece being too quickly criticised over Macedonia

From Mr Nikos Chloros.

Sir, Your editorial, "Greek disgrace" (February 18), has left at least one Greek reader quite unhappy. Your paper has been too quick to chastise the Greek presidency for the "affront" to its EU partners on the subject of the Former Yugoslav Republic of Macedonia (FYROM). I ask you, who can forget the recent diplomatic blunder both Britain and Germany committed by visiting Turkey without even notifying their Greek partners?

How are Greece's EU partners justified in, on the one hand, condemning the country's consistent foreign policies regarding FYROM and, on the other, praising its history and heritage that form the basis of the modern western civilisation? It is, after all, this history and heritage that Greece wishes to defend from the usurpers of the Vergina flag and the Macedonian name.

Stabilisation in the region is, indeed, in Greece's interests and everybody hopes for a quick solution on the FYROM problem. However, fuelling EU impatience and "intense irritation with Greece" and suggesting what the best strategy should be "for a country so heavily dependent on EU funds" do not, in my opinion, represent constructive criticism.

Inflammatory comments and the passing of such judgment do not fit the serious profile of your paper.

Nikos Chloros,
46 St Petersburgh Place,
London W2 4LD

From Mr John Chudley.

Sir, Your leader, "Greek disgrace", should be entitled "European disgrace". It is two short months since Greece's so-called partners in Europe rushed with indecent haste to recognise "Macedonia" in a crude attempt to pre-empt the issue before Greece's presidency of the EU, in the full knowledge that it had been a leading factor in the electoral downfall of the moderate former prime minister, Constantine Mitsotakis.

Led by Germany, with a long history of disastrous meddling in the Balkans, and abetted by Britain and France, which ought to know better, they left the Greek government with no option other than a dramatic gesture if it was to retain credibility.

To complain now that this may rock the position of the "moderate" Gligorov and to introduce Bulgaria into the argument is pure sophistry.

Your leader writer, in company with most of Europe's leaders, shows no sensitivity to the painful 150-year struggle of Greece to put back together the ideal of Hellenism after nearly 2,000 years of subjugation to Roman, Venetian, Frankish and Turkish invaders, or to the importance to them of Philip of Macedonia, his son Alexander the Great, and Vergina, his birthplace.

May I ask how the Scots would feel about the Faroe Islands (with about the same justification) taking the name of the Republic of Scotland, using the stone of Scone on its flag and having a clause in its constitution requiring its government to involve itself in the protection of Scots wherever they may be.

John Chudley,
PO Box 50,
Nafplion,
Greece

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday February 22 1994

Now Tuzla and Mostar

So far, so good. The shelling of Sarajevo has been stopped. Nato has not actually launched any air-strikes, but no one should doubt that its threat to do so was necessary. Perhaps the Russian intervention was also necessary. Certainly it made it much easier for the Serbs to comply (more or less) with Nato's ultimatum without loss of face. But without the ultimatum and the threat Russia would almost certainly not have intervened in this way, and even if it had done so the Serbs would have been less likely to comply with Russian requests.

As it is, the ultimatum has had to be interpreted creatively to make it possible for General Sir Michael Rose, the UN commander, to certify compliance. The effectiveness of UN "control" over weapons remaining within the 20km-radius exclusion zone is uncertain. UN member states have lamentably failed to provide General Rose with the 3,000 extra troops he has requested, thereby continuing the pattern of irresponsibility which has characterised all previous international "action" in the former Yugoslavia.

France and Britain, the two leading contributors to the existing UN force (Unprofor), have smugly refused General Rose's request, suggesting it is for others to take a share of the burden. However justified this implied criticism of the US, it is hardly a constructive response, nor is it calculated to strengthen Atlantic solidarity in the next phase of the crisis. Both countries should recognise that their national prestige and interests are now irrevocably bound up with the UN operation in Bosnia. If the operation fails for lack of manpower they may console themselves by blaming the US, but it is they who will look most foolish.

Strategic significance

With luck, the ceasefire in and around Sarajevo will now hold, at least for a time. The Serbs will probably move their weapons to other fronts of greater strategic significance, such as Brcko and Bihac, where Bosnian government forces are still in a position to threaten communications between the Serb-held areas in Croatia, Bosnia and Serbia proper. But a ceasefire does not in itself mean that the siege of Sarajevo is lifted – though that was Nato's declared objective when it ordered the withdrawal of heavy weapons.

Likewise, the lifting of the siege of Sarajevo would not relieve the suffering in other parts of Bosnia, including many that the UN has officially taken under its protection, including two (Srebrenica and Tuzla) where specific actions ordered, on pain of airstrikes, by last month's Nato summit have yet to take place. Even the relief of all these places would not bring peace to Bosnia as a whole.

Exploit momentum

So it is vital to exploit the momentum of the small success gained in Sarajevo before it evaporates. General Rose was right to press ahead yesterday with plans to open roads into and out of the city and to repair water, electricity and gas supplies. He is right, and should be given the fullest support by Nato and the UN Security Council, in seeking to extend the Sarajevo model to other parts of Bosnia. Opening the airport at Tuzla, through which desperately needed food, medicine and shelter could be brought to more than 1m civilians in central Bosnia, is an obvious priority. But the plight of Mostar, which is worse than that of Sarajevo, must not be forgotten.

The Serbs are not the only villains in this war. It is Croat forces, with active support from the Croatian regular army, that have destroyed the historic bridge of Mostar and are still raining down shells on the Moslem population trapped on the east bank of the Neretva. President Franjo Tudjman of Croatia, a protégé of Germany and the Vatican, has still given no indication that he will withdraw his troops from western Hercegovina. An ultimatum to the Croats around Mostar would be amply justified, would involve fewer political risks than that to the Serbs around Sarajevo, and would make it easier to maintain Russian support for a policy of firmness towards the Serbs.

It is good, too, that US and Russian officials are meeting with those of the EU and UN in Bonn today, to push forward the diplomatic process. Only if the US, Russia and Germany are very firm in urging concessions on their respective protégés in Bosnia is there any hope of peace.

Dinosaurs eye the PIA

The stakes in the tortuous game of bluff and double bluff that the Securities and Investments Board (SIB) has been obliged to play with the more recalcitrant members of the life assurance industry were raised a further notch yesterday. In responding to a formal application from the Personal Investment Authority (PIA) to become the new unitary self-regulatory organisation for the retail investment business, SIB simultaneously announced that it was "minded to recognise" the PIA and "minded to revoke" recognition of two existing retail investment watchdogs, Fimbra and Lautro.

Behind the legal jargon lies a difficult set of calculations both for the regulators and the life assurers. The PIA has to achieve widespread support before Mr Andrew Large, head of SIB, can obtain the Treasury's permission to recognise the new unitary watchdog and bring down the curtain on its two predecessors. Yesterday's publication of a prospectus inviting applications to join the PIA constituted a formal start to this process.

The task is a formidable one, and not just because a handful of big insurers are hostile. If the PIA's claim to raise standards in retail financial services is to carry conviction the new body will have to reject applications from people who are currently authorised to conduct investment business. That is not a recipe for popularity in the industry. Nor should it be.

Meantime the recalcitrants, who rank the Prudential and Standard Life among their number, have to ask what they can achieve by continuing to oppose the changes to the existing regime. They would also be well advised to ensure that a dignified means of retreat is available if their arguments fail to carry the day. Or, indeed, if they succeed. Treasury ministers may not relish being railroaded into unwelcome policy options, any more than big insurance companies enjoy changing their ways to suit the regulators.

Repeated scandals

Part of the problem is that many opponents of the proposed new structure start from the assumption that they were promised self-regulation under the original 1986 Financial Services Act regime and are still entitled to it. This is hopelessly unrealistic in the light of repeated scandals to do with the industry's sales practices. Public confidence has been severely dented and will not be restored without some clear indication that the system is being significantly strengthened. Against that background the special pleading from leading practitioners about a surfeit of public interest representatives on the PIA's board is a public relations disaster which undermines the credibility of the whole industry.

Genuine alternative

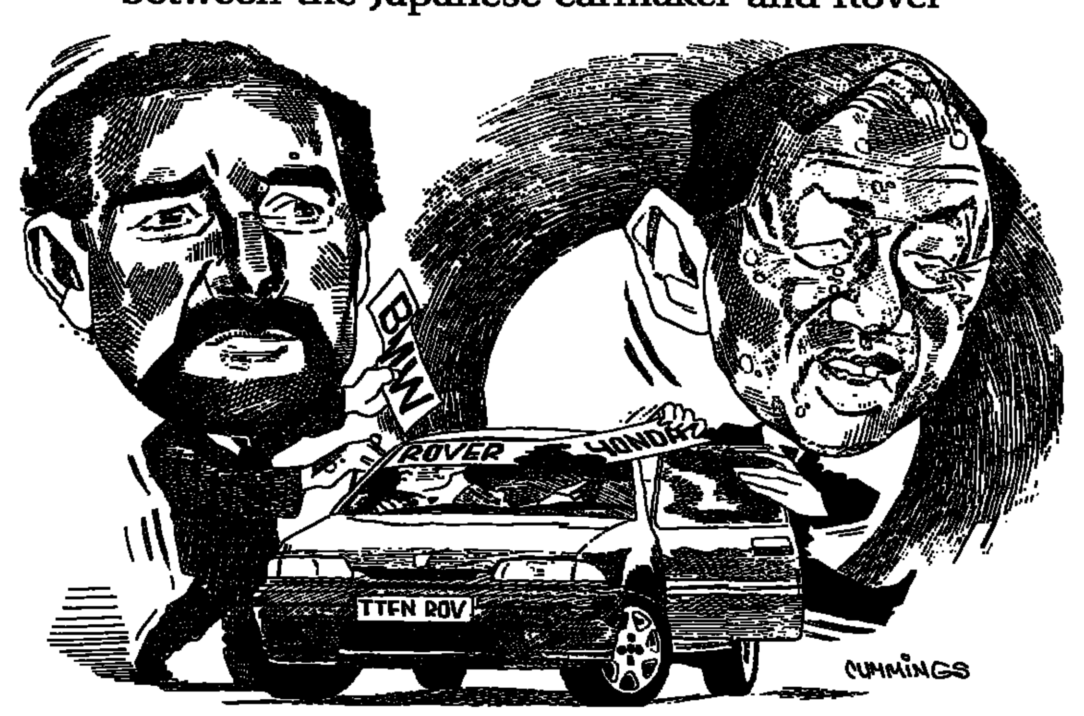
Nor does it help to suggest that statutory regulation provides a genuine alternative to the problem. In the long run it may or may not do: but there is a crisis in the here and now, and one which urgently needs to be addressed. To suggest that consumers of financial services should be allowed to wait for several years while a statutory alternative is put in place looks, at best, disingenuous. At worst it risks being interpreted as an attempt by the life assurers to make hay for as long as possible before the whistle is blown.

A unitary retail watchdog makes sense in a financial world where the organisational boundaries between banks, insurers and other managers of personal savings have become anachronistic. There are undoubtedly shortcomings in the present process of accountability to parliament. It remains to be seen how effective a watchdog the PIA might become. And there will no doubt be arguments about specific elements of the PIA's prospectus and its accompanying document on the new body's approach to regulation.

But only an industry suffering from extreme myopia would fail to recognise that SIB's current approach is the only half-decent damage limitation exercise on offer. The hostile insurers do no service to their shareholders, policyholders or the general public by failing to offer their support. They should wake up and shut up. The PIA is better than an interminable wait for an ideal system that may or may not materialise in the year 2000.

Honda climbs out of the front seat

Kevin Done examines the end of a special relationship between the Japanese carmaker and Rover



When Honda took its minority equity stake in the Rover group four years ago, it was the symbolic value – not the size of the stake nor the financial valuation – that was crucial.

The 20 per cent holding was the cement in a relationship unique between Japanese and European carmakers. It made the relationship long-term and set it apart from any other collaboration the two groups might have had with other rival carmakers at the same time.

Honda's decision yesterday to sever this equity link is just as crucial, and just as symbolic. It says that the Honda-Rover special relationship is over. The cement has crumbled.

When BMW emerged three weeks ago in London as the triumphant buyer of British Aerospace's 80 per cent holding in Rover, Mr Bernd Pischetsrieder, BMW chairman, voiced the pious hope that "in this new scenario Rover Cars will naturally continue its agreements with Honda in every respect".

That hope was dashed yesterday.

The ending of the equity link at Honda's insistence removes, too, for the foreseeable future any thoughts of a grander global alliance between Honda on the one side and BMW-Rover on the other.

BMW has caused Honda seriously to lose face at home. Honda's European strategy was different to that of its domestic rivals Toyota and Nissan. As Mr Nobuhiko Kawamoto, Honda president, admitted yesterday, the strategy had been built to an important extent around collaboration with Rover, and is now in tatters.

At the same time Honda and BMW are potent direct rivals in the world auto market, particularly in the US, where Honda's separate luxury performance brand Acura competes head-on with BMW. Both have built their brand images on engineering excellence and high performance with a heavy accent on motor sport.

Yesterday's events in Tokyo rule out any joint Honda-BMW alliance. What now must be determined is the pace and manner of the disengagement of the industrial links between Honda and Rover.

With frostiness Mr Kawamoto said only that "the series of contracts now existing between Honda and Rover will be reviewed in future business discussions.

"Until now our European strategy has included collaboration with Rover. In the future we intend to create a more independent operation in Europe, using our own resources." The relationship was unmistakeably being reduced to only a "series of contracts".

As far as Mr Pischetsrieder was concerned, yesterday's one-and-a-half hours of talks had been conducted in a "friendly" atmosphere. The coldness of Mr Kawamoto's later public statement apparently came as a surprise to the urbane BMW boss.

But there can be no excuse for any more surprises. Honda has spelled out its unhappiness and anger at the takeover of Rover by BMW through the symbolic cutting of the equity link.

Now it is time for the *realpolitik*. The most pressing questions are how long should the Honda-Rover relationship take to disentangle, and how disruptive should the process be to either party? Rover is now only a pawn in this process. The decisions will be made in Tokyo and in Munich.

It is in Honda's power to disrupt very quickly a significant part of Rover's car production, if it were to choose to invoke the three-month termination clauses of its licensing agreements. These cover products such as the Rover 600 executive car – launched last year and produced at Rover's Cowley, Oxford, plant; the Rover 400 family car – produced at Rover's Longbridge, Birmingham, plant; and the Honda PG1 gearbox, which Rover produces at Longbridge for fitting with its own 2-litre T-series engine in several of its products.

While Honda so far has restricted itself privately to spelling out the potential strength of the cards it has in its hands, BMW was at pains yesterday to insist privately that it expected all Rover's existing projects with Honda to continue. It would not be in Honda's commercial interest to abandon them.

A similar view emerged yesterday from the all-important components suppliers in Europe, which play a vital role in the success of both the Honda and Rover operations, and which in many cases supply identical parts for the Honda Concerto-Rover 200/400 and for the Honda Accord-Rover 600. They expect existing programmes to continue.

"We don't feel unease at the moment, because we think it is highly unlikely that Honda will enact a Domesday scenario," said a leading components supplier. "But they will take it down over time. There is a lot of money involved. They will not cut off their nose to spite their face."

The sister cars Honda Accord and Rover 600 were only launched last year. While Rover produces the 600 under licence at its Cowley plant, and Honda produces the Accord at its own £370m Swindon assembly plant, the supply programme is closely woven together with a largely identical supplier base. At the same time, Honda supplies 2.0- and 2.3-litre engines for the Rover 600 from its Swindon engine plant, while Rover supplies Honda with the Accord's body panels from the Rover stamping plant at Swindon.

If commercial *realpolitik* dictates that the present generation Accord-Rover 600 programme is left undisturbed, this alone will ensure that the Honda-Rover industrial links cannot be severed entirely yet.

More vulnerable to potential disruption could be the so-called project Rover Theta-Honda HH. This is the new-generation family car that Honda and Rover are developing as the replacement for the present Rover 200/400-Honda Concerto. The project is already at an advanced stage, however.

Honda Europe said yesterday that many of its suppliers were "already tooling up and getting ready" to supply components for the car. Its Swindon plant has 201 suppliers in Europe and many are also common suppliers to Rover.

"We would be very surprised if Honda pulls out of this programme given the level of investment that has been made and how close they are to getting it into production," said another leading UK components supplier yesterday.

If Honda allows the Theta-HH programme to go ahead – Rover will produce its version under a licensing agreement – the two companies will be forced to maintain close ties beyond the year 2000.

The economics of the components supply programme and the economies of scale also suggest that Honda can hardly sensibly drop Rover. Last year Rover production of its 200/400 version of the current generation car totalled 162,095, compared to production of only 18,406 for the much less successful Concerto. The one-to-four production ratio in favour of Rover is likely to be repeated with the new car.

Other factors also suggest that current Honda-Rover projects – in production and under development – will continue. The Japanese carmaker is still relatively weak in Europe. Its total new car sales across 17 markets in west Europe amounted to only 162,000 last year, giving it a west European market share of 1.4 per cent compared with the 3.5 per cent of Nissan and the 2.8 per cent of Toyota.

At home, Honda is experiencing serious overcapacity, which could prove expensive to redress in the middle of recession, where three successive years of declining sales are sapping the company's finances. In the vital US market, where the Accord was once all-conquering, the car has been knocked from its perch as the best-seller in the US. Honda is having to invest heavily in a much more aggressive marketing campaign to try to halt the decline.

In Europe, Rover always represented a low-cost way into a market where Honda was weaker than its Japanese rivals. It will now shut the door on the transfer of technology to Rover, which will have to look to the lessons it has already learned and to BMW to ensure that it stays on the path towards becoming a world-class producer. Honda will drop Rover in the long run, but the UK carmaker may still be able to secure a soft landing until Honda is in a position to cut all links.

Additional reporting by Michiyo Nakamoto

Antony Thorncroft on the man who made Mori

Poll vaults and politics

It is 25 years ago to the day that Mr Bob Worcester, an American with a background in management consultancy, set out to pioneer "strategic decision research" in the UK. Four years later he formed Mori, which today is the UK's largest independent research company. Tonight, leading figures from British industry and politics will gather in London to applaud his achievement.

His mission, in 1969, was to persuade British companies to find out, through research, what their employees, their shareholders, and the public at large, thought about them. He originated the mantra: awareness; involvement; persuasion; action. In the intervening years he has worked for most of the top hundred companies in the UK; for local authorities; for the government; and, most famously, for the political parties. He has become, not unwillingly, the public voice of British market research in general and opinion polls in particular.

Mr Worcester did not find it hard to attract customers. "I had three clients in 24 hours." He enjoyed an after-glow fromformer prime minister Harold Wilson's 'white heat of technology': companies were caught up in the general enthusiasm for innovation and new approaches to management, especially when presented by an American who had worked for McKinsey, the US management consultancy.

By providing British industry with empirical research on changes in consumer tastes and public attitudes, Mr Worcester can claim a small but significant part in helping business to respond more effectively to the developing marketplace over the past 25 years.

If industry has gained so, too, has Mr Worcester. He has rejected all takeover approaches for Mori and now controls a research company with a turnover of £10m, employing 130 full-time staff and another 1,150 part-time interviewers in the field. In 1988 he cashed in on his success by selling 25 per cent of Mori to 3i, the venture capital group, for £2m.

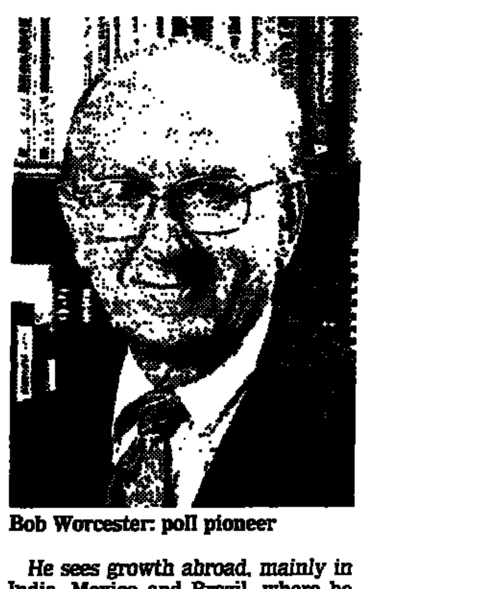
Though industry and the government provide the vast bulk of the work, it is for his research in the political field that Mr Worcester is best known. This amuses him because "in an average year political polling accounts for 4 per cent of our turnover; in an election year it is 7 per cent", though his influence in government is far greater than these figures suggest.

Within a year of his arrival in the UK he had introduced the Labour party to private polling. He was soon a confidante of Lord Wilson. "Harold was the cleverest client I ever had. He got more out of me than anyone before or since." Mr Worcester did not always provide the Labour party with good news. But he was employed for 17 years before becoming a casualty of the shake-up introduced by Labour's then communications director Mr Peter Mandelson in the mid-80s. Mr Worcester has since worked for Conservative Central Office, but most of his energies go into political polling for the media.

Of course, opinion polls can get it wrong, most disastrously at the 1992 general election when the predicted Labour victory failed to materialise. Mr Worcester has tried to learn from the experience; he has employed a researcher to find out what went wrong. Mr Worcester's explanation for the election débâcle was that a late shift by voters, worried by Labour's tax plans and the prospect of a hung parliament, won the day for Mr John Major. He claims not to have lost a single client as a result of what he describes as "a black day for polling".

Half of Mori's projects now come from the public sector, an indication of the importance attached by ministers to research. Mr Worcester is currently working for the Local Government Commission, finding out what people on the ground want from the proposed re-organisation of local government. On one recent occasion the commission chose to ignore Mori's findings and, Mr Worcester says, paid the price when its recommendations were criticised by the public.

Mr Worcester has survived as technology has advanced. Clients can now be given data an hour after a questionnaire has been received for evaluation. But, unlike the US, where most research is conducted by telephone, he prefers face-to-face interviews because, at least in the UK, they are cheaper and more comprehensive.



Bob Worcester: poll pioneer

He sees growth abroad, mainly in India, Mexico and Brazil, where he has set up joint companies. But it is in London that Mr Worcester has made his greatest mark. Success to date has been based on exploiting relatively narrow areas of corporate and political research, where he has benefited from contacts in high places. As the international market research business matures, he may find it harder to thrive in the bigger pond.

OBSERVER

Hot wires in Tokyo

■ The Japanese don't normally scribble on other people's walls, especially in Tokyo. So when the local headquarters of the US electronic giant Motorola is sprayed with an anti-US slogan, people stop and stare.

Not that yesterday's anti-Motorola graffito, sparked by a US threat to impose sanctions on Japan unless Motorola is treated better, is in particularly bad taste. In typical Japanese style, it amounts to no more than a polite cough by US or even European standards. "Crush the hard-selling diplomacy of US imperialists ....," it reads. Tokyo has not yet resorted to the tactics of America's Japan-bashers in earlier trade disputes. Sledgehammers have not been taken to Motorola's mobile phones.

Still, tempers are clearly beginning to hot up in the nine-year-old trade dispute, despite Prime Minister Morihiro Hosokawa's contention that Japan and the US have just embarked on a truly adult relationship.

Not gilty?

■ Is Merrill Lynch a contrarian indicator for trends in UK government securities? When the US securities house pulled out of the gilts market in the late 1980s because the latter was overcrowded and unprofitable, it had to sit on its hands and watch a really spectacular bull run.

Now, just as it has been granted permission to become a gilt-edged marketmaker once again, the market is suffering a serious bout of weakness. No doubt this time round, though, Merrill has had to reassure the Old Lady of its stamina.

Making up

■ Just how far will US President Bill Clinton go to mend fences when he meets Britain's prime minister next week? After the rows over Ireland and Bosnia, there is plenty of groundwork in need of urgent repair.

An invitation to sleep for one night in the White House sounds jolly generous, especially since the last British prime minister to do it was Sir Winston Churchill. But the US administration's eagerness to rebuild the special relationship has its limits – notably supporting the UK's nominee for the head of the Paris-based Organisation for Economic Co-operation and Development.

Major put Lord Lawson up for the job, but word is that Washington, which picks up much of the tab for the £125,000-a-year post, is preparing to veto that idea.

The Americans believe that the OECD, after a decade in the hands of the monetarists, would benefit from a secretary-general who made economic growth, not obsessive control of inflation, his priority. Clearly no one told them about the Lawson boom.

'There's Picasso or ice-skating or Picasso ice-skating'

Celtic manoeuvres

■ BAT Industries doesn't seem to be having much luck hanging on to the investment chieftains of its Allied Dunbar insurance operations.

First Hugh Jenkins (a Welshman) jumps ship to run the investment side of the Prudential. Now Ken Inglis (a Scot) is off to rejoin his old countrymen at Flemings, despite being offerred the prize of running the much bigger combined Eagle Star and Allied Dunbar fund management business.

Surely, a politically incorrect company like BAT can tell its headhunters that only English fund managers will be considered for the vacant post of its investment supremo.

Journo-list

■ The race is on for the top editorial job at *Le Monde*, the venerable French daily paper. Jacques Lesourne, who resigned earlier this month after months of wrangling over cost-cutting, was the first non-journalist ever to hold the post of publisher.

Although Lesourne managed to cut Le Monde's heavy losses, he was unable to tame the paper's rather eccentric team of journalists. No surprise then to see Le Monde returning to its old form. The two candidates for the top job are both journalists – Bruno Frappat, editorial director, and Jean-Marie Colombani, his deputy, who has bid for the post before.

Le Monde wants to avoid a repetition of the six-year-long power struggle which preceded Lesourne's appointment in early 1991. In the past, the paper's staff has chosen its candidates in Swiss-style primary elections. This time the management dispensed with that formality and asked its own candidates to stand. The journalists will choose between Frappat and Colombani on March 4.

On past form, the management succession seems unlikely to proceed as smoothly as the timetable suggests.

Body blow

■ When John Russell, Rover's international sales chief, looked into the mirror first thing yesterday morning it was to practise his address to the FT's London motor conference. What he should have been taking was a crash course in damage limitation. Before he had even got up to speak, news hounds were thrusting microphones under his nose. Forget the guff about customer satisfaction – what did Russell think of the shock news from Japan? "I felt like the drama critic who went to describe a play and wound up reporting the shooting of the president," says a bruised Russell.

Car numbers

■ OK. So Honda's decision to sever its links with Rover might make life more difficult for BMW, Rover's new owner. But don't underestimate what attracted BMW in the first place. Its 3, 5 and 7 series meld perfectly with Rover's 2, 4, 6 and 8 series ...Sounds like a perfect fit rather than a calculated gamble.

FINANCIAL TIMES
Tuesday February 22 1994

Intractable opposition to Norwegian ambitions

EU entry talks struggle to find accord on fishing

By David Gardner in Brussels

The European Union was last night struggling to find a common line on the fishing industry in the EU membership negotiations with Austria, Sweden, Finland and Norway, which restart today in the increasingly remote hope of concluding by March 1.

Intractable opposition from Spain, France and Ireland to Norwegian ambitions on future fisheries arrangements could prevent agreement on entry terms with the four, EU negotiators predicted.

The Norwegians "can only settle on fisheries if we can agree" among ourselves, one lead negotiator said before yesterday's impasse.

Norway wants to retain control over its rich fisheries resources, but at the same time to have full access to the EU market for its fish products from the day it becomes a member, as well as access to Union waters.

Spain, which along with Portugal joined the EU in 1986, will not get full access to the Union's waters until 2003. Madrid persuaded its partners yesterday that Norway, and in lesser measure Sweden and Finland, could not be offered a deal which "discriminates" against existing member states..

"We're saying that the regime for them cannot be better than the one for us," a senior Spanish negotiator said.

Foreign ministers of the 12, meeting yesterday, also mandated the European Commission to seek the "best possible access" for Union fishing fleets in Nordic waters – tacit acceptance of Spain's insistence that it has historic rights in Norwegian waters, from which its vessels were barred after 1981. Norway has repeatedly refused to countenance any further access for the EU.

The 12 could not agree on market access for Norwegian fish. France and Ireland produced a joint paper yesterday calling for restrictions on Norwegian salmon, herring and mackerel entering the EU. The UK too has concerns about cheap Norwegian salmon imports, but held back from supporting import quotas. Ministers were last night trying to agree on some form of safeguards regime against sudden import surges.

The fisheries issue was one of the most insuperable obstacles in the last enlargement to take in Spain and Portugal, and nearly sank the European Economic Area treaty which created a free trade zone between the 12 and the four applicants plus Iceland.

IG Metall sets date for strike action

By David Waller in Frankfurt

IG Metall, the German engineering workers' union, is set to begin strike action in the north German state of Lower Saxony on March 7, the union's leadership said in Frankfurt yesterday.

If strike action in Lower Saxony failed to force the employers to agree to the union's demands within two weeks, the strike would be broadened through northern Germany, threatened Mr Klaus Zwickel, IG Metall chairman.

Despite the confrontational stance, Germany's biggest union was at pains to spell out that it had no wish to drive companies to the wall during the country's severe recession.

The choice of Lower Saxony was designed to minimise the impact of the strike on German industry, Mr Zwickel said. "We want to make it absolutely clear that we want to avoid massive social conflict."

Union members would be balloted on March 1-3. The decision to postpone any further strikes until two weeks after the beginning of a strike in Lower Saxony was further evidence of the union's desire to avoid conflict, Mr Zwickel argued.

The strike would initially affect only 90,000 workers at 230 companies. If it spreads to Hamburg, Bremen and Schleswig-Holstein, a further 170,000 workers at 380 businesses would be involved.

The numbers are small compared to the 1m metal workers in the state of Baden-Württemberg in the south-west, traditionally an area where strikes have started in order to have maximum impact.

The union also stressed that it wanted to avoid disruptive knock-on effects and would steer clear of the sectors worst hit by the current downturn.

IG Metall's tactics seem designed to put pressure on the Gesamtmetall employers' association to reach a compromise in pay talks which broke down after both sides had made concessions.

THE LEX COLUMN

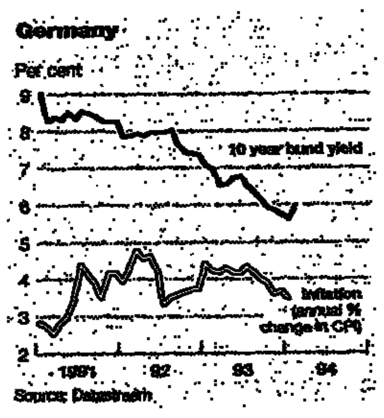
Unravelling bonds

There is something perverse about the weakness of European bond markets. Inflation is well under control in the main European economies. The continental recovery has barely started, while in the UK a sizeable output gap remains. The weak oil price hardly indicates general concern about inflation. The nervousness obviously reflects worry about the New York bond market, but that is only part of the story.

There has also been a shift in sentiment among the large US hedge funds, which until recently have given bond markets an upward momentum of their own. Their leverage means they cannot afford much capital loss. It was time for them to start worrying when yields stopped falling at the turn of the year. The risks became all the greater after the Federal Reserve began to tighten. Since then, a vicious circle appears to have developed: the more bond prices fall, the more they are forced to sell.

Such fickle investors may have deluded governments about the ease with which their deficits could be funded. Now comes the question of who will step into the breach. Domestic European investors show no real signs of selling, but they are reluctant to buy bonds yet because, probably rightly, they believe prices could fall further before the hedge fund sales are absorbed. Once the immediate storm is passed, judiciously timed cuts in short-term interest rates would help continental markets. That would encourage investors to shift out of time deposits, replacing some of the US liquidity which has evaporated. It would be a pity if the Bundesbank were constrained by a false concern that the bond market has been sending a message about inflation.

FT-SE Index: 3350.3 (-32.3)



Source: Datastream

BMW/Honda

Given how angry – and embarrassed – Honda must be, its rebuff to BMW may be the least that it could decently get away with. Honda's collaborative strategy in Europe has spectacularly collapsed, while Toyota and Nissan's self-reliance has been vindicated. Daring to be different and then failing must be doubly uncomfortable in a country where conformity is an art form. Honda had to be seen to respond to the slight BAe delivered when it sold Rover to the cheeky Bavarians. It also views BMW as a serious competitor, particularly in North America. The prospect of BMW pitching up at Honda's Swindon plant, displaying its 20 per cent shareholding in Honda UK and demanding to see the books, must have caused a few sleepless nights in Tokyo. But if severing equity links marks a clear change of strategic direction and restores some lost face, commercial realities still demand some connections. Replacing Rover's engine orders or cutting overheads by enough to offset the lost volumes would be very difficult, especially given the deep recession in Japan's car industry. Abandoning the jointly-developed replacement for the Rover 200/400-Honda Concerto would also be very expensive revenge.

However painful, the prospect is thus for continued operational involvement between the two companies. That leaves BMW free to invest in developing Land Rover and a new small car. Honda, having fallen behind its domestic rivals, will have to spend heavily on beefing up its European presence. The lessons of trying to co-operate with short-termist westerners are unlikely to be lost on the rest of corporate Japan.

Granada/LWT

By the supercharged standards of recent media bids, Granada's offer for LWT does not appear wildly generous, representing a multiple of a mere 27 times historic earnings. LWT is trading strongly. There is a natural desire not to sell out successful management. A higher bid is always possible, especially if the rules regulating cross-ownership of the media are changed. Such thinking may yet tempt LWT shareholders to reject Granada's bid.

Stand back from the fray and it is not clear that ITV contractors have a particularly rosy future. In response to the Broadcasting Act, the cossetted television industry woke up to commercial reality and cut costs with a vengeance, fuelling the sector's striking share price gains. But that process is exhausting itself. Growth will now be harder won through more advertising and programming sales.

Yet ITV contractors are facing increasingly stiff competition for advertising from Channel 4 as well as cable and satellite operators. Their fixed-term franchises represent a depreciating asset. A secondary market for their television programmes has not yet developed. There is an over-capacity of production facilities. Mature television companies would be unlikely to sustain current valuations in the absence of takeover frenzy.

The current wave of bids is being driven by the consolidation that occurs in any industry when regulation is relaxed. In that process, insiders can invariably afford to pay more than others due to the cost savings that can be achieved. No other bidder has emerged to match Granada's terms. That is perhaps not surprising, given Granada is offering twice the price LWT's shares were trading at before the bidder took its stake. The real issue is whether Granada is offering too, much rather than too little. LWT shareholders should be grateful for its generosity.

British Land

British Land's agreement to buy a 29.9 per cent stake in Stanhope highlights how Mr John Ritblat conjures up deals that no one else dreams possible. His immediate intent appears to be to buy a cheap seat at the negotiating table to influence Stanhope's restructuring. The longer term goal must be to prise free the attractive Broadgate and Ludgate developments. Whether that is possible depends on how well Mr Ritblat can arm wrestle with Stanhope's bankers. He will have to convince them to take a painfully large debt write-off to ensure Stanhope's future viability given the company is still bleeding cash.

Stanhope has been trying to stage a rights issue to recreate its balance sheet. But that is difficult when the biggest shareholders cannot afford to inject fresh funds. British Land may hope to underwrite that rights issue in return for access to Stanhope's assets. But Stanhope's puzzled response to British Land's approach suggests the negotiations will be tortuous.

Tough line on lorry ban

Continued from Page 1

Raffaele Costa, Italian transport minister, said yesterday: "Even if the Swiss are talking of introducing these measures over a period of 10 years to allow plans for alternative transport, matters will not be easy, if not impossible." He pointed out that environment considerations already made transalpine traffic difficult in both Switzerland and Austria.

In Bonn, the transport ministry said: "This is a European problem. Purely national solutions are not acceptable."

The German association of long-haul carriers denounced the move as "a further step for Switzerland on its way towards isolation in Europe". The association warned that the move would lead to traffic problems in neighbouring France, Austria and in the southern German state of Baden-Württemberg.

The association said it would lobby Brussels to threaten Switzerland with reciprocal measures for Swiss trucks, such as forcing them to use railways only.

Austria believes the Swiss decision will strengthen its hand in negotiations for entry to the EU.

Mr Viktor Klima, Austria's transport minister, said Austrian voters would support EU entry only if a 12-year transit treaty with the EU due to run until 2004 remained intact.

Russia lifts floor for banks' capital

By Leyla Boulton in Moscow

Russia ordered a 20-fold increase in the minimum capital requirement for commercial banks yesterday in an attempt to flush out hundreds of small, under-capitalised banks.

Mr Dmitry Tulin, deputy governor of the central bank, said that from next Monday the minimum capital requirement for new banks would be increased to Rbs2bn ($1.27m at the market rate) from a present threshold of Rbs100m.

Existing banks, as well as those which manage to obtain a licence by next Monday, will be given until January 1995 to increase their capital to Rbs2bn. From 1999, the minimum capital requirement for all players will rise to a European Union threshold of Ecu5m ($5.5m).

Mr Tulin said that, in consolidating the banking sector, the aim was to protect depositors, reduce money-laundering and help banks compete internationally.

Agricultural co-operative banks, which the authorities want to establish in the Russian countryside, would be exempt from the new requirement. They would keep the Rbs100m threshold. Another threshold of Rbs500m would be established for those banks which did not take deposits from the population.

With inflation of around 20 per cent a month, unchanged minimum capital requirements have made it increasingly easy to start a bank.

"A situation where entrepreneurs face the choice of either buying a good car or setting up a bank is paradoxical and abnormal," Mr Tulin told a news conference.

In spite of the fact that many of Russia's 2,000 banks are small and under-capitalised, many of the threats to Russian banking come from bigger banks, in particular those owed large sums of money by ailing enterprises which also happen to be their shareholders.

Mr Andrei Tsumailo, vice-president of Most-Bank, one of Russia's big private commercial banks, hailed the plan's 1999 target as a "reasonable long-term goal". But he believed that in the shorter term many banks' shareholders, such as ailing industrial enterprises, would be unable to raise the necessary capital. At best, such companies would have to divert funds earmarked for investment "in an economy which is under-capitalised in every sector".

Mr Tulin said banks which could not meet the new requirements would have to merge with bigger institutions or fold.

Bosnia

Continued from Page 1

United Nations security council this week to put Sarajevo under UN administration. It was vital, he said, to build quickly on the success of Nato's ultimatum.

Mr Douglas Hurd, UK foreign secretary, echoed the need to maintain momentum. "Now we have a beginning, possibly the beginning of the end of the nightmare," he said. after talks in Paris with Mr Edouard Balladur, the French prime minister.

Mr Alain Juppé, the French foreign minister, said that US and Russian involvement would be necessary to secure a broader peace in Bosnia. "Their participation is what made progress possible," he said.

Greece warned over 'illegal' embargo

Continued from Page 1

already fragile confidence in the impartiality of the Greek presidency. Significantly, the high-level diplomatic meeting on Bosnia and former Yugoslavia takes place in Bonn today. "Germany (the next EU president) is taking over four months early," said one diplomat.

Mr Alain Lamassoure, French minister for European affairs, said the Greek action raised questions about the arrangements for the rotating presidency in an enlarged European Union. Though it was no time to settle the matter in the heat of a crisis, France would "draw on all information" ahead of the 1996 intergovernmental conference to review the operation of the Maastricht treaty.

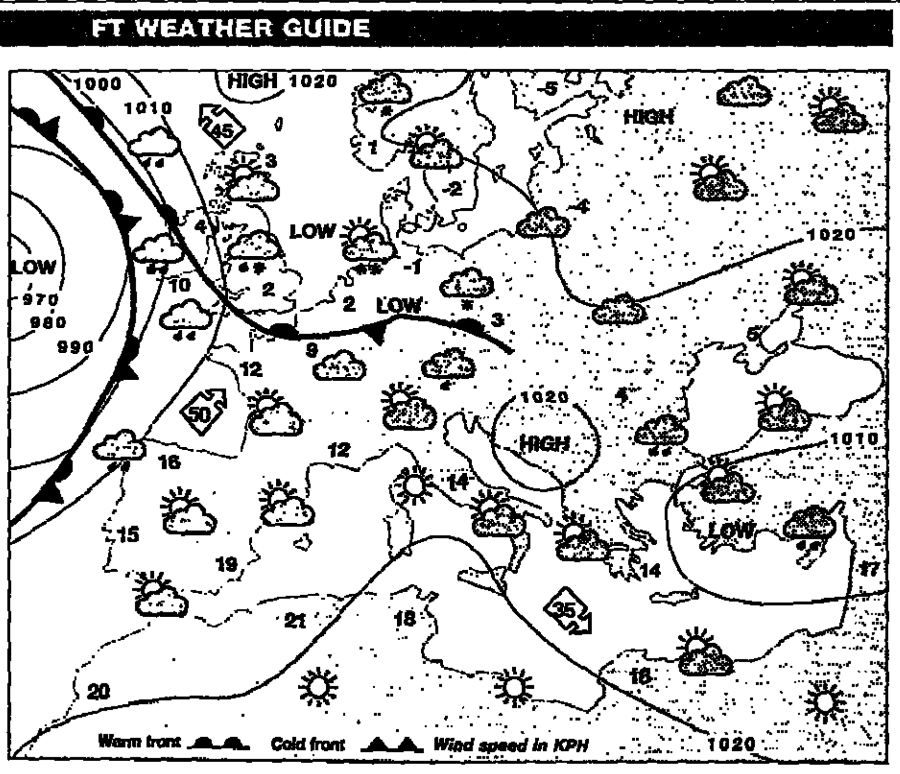
FT WEATHER GUIDE

Europe today

A disturbance over the North Sea will cause widespread snow showers in coastal areas. Benelux, northern Germany and northern France will be cloudy with light snow. Southern France, the Alps and south-eastern Spain will have scattered cloud, while Portugal and north-west Spain will be cloudy with outbreaks of rain. This rain will come with mild Atlantic air pushing north-east, and the same front will bring rain to Ireland and south-west England. The eastern UK will have morning sun but by late afternoon there will be rain and sleet. The Balkans will be overcast with rain and snow in the mountains. The eastern Mediterranean will be sunny with occasional showers.

Five-day forecast

Mild and moist Atlantic air will spread as far as Benelux and Scotland, leaving northern and eastern Europe wintry. In the transition zone it will be overcast with rain or snow. Very unsettled conditions will stay in the eastern Mediterranean with widespread showers. Southern Italy will continue to have showers. Central Europe will be dry at first, but rain or snow is likely later in the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	29
Accra	fair	33
Algiers	sun	21
Amsterdam	cloudy	2
Athens	shower	12
B. Aires	fair	33
B.ham	shower	2
Bangkok	fair	35
Barcelona	sun	15
Beijing	sun	7
Belfast	rain	4
Belgrade	fair	3
Berlin	snow	1
Bermuda	fair	23
Bogota	fair	21
Bombay	sun	31
Brussels	sleet	3
Budapest	fair	5
C.hagen	snow	0
Cairo	fair	18
Cape Town	sun	28
Caracas	fair	27
Cardiff	rain	4
Chicago	cloudy	0
Cologne	cloudy	3
Dr Salaam	fair	32
Dakar	sun	24
Dallas	fair	19
Delhi	sun	24
Dubai	sun	27
Dublin	rain	6
Dubrovnik	fair	14
Edinburgh	cloudy	2
Faro	fair	17
Frankfurt	cloudy	3
Geneva	cloudy	5
Gibraltar	fair	18
Glasgow	sleet	2
Hamburg	snow	-2
Helsinki	sun	-6
Hong Kong	cloudy	22
Honolulu	fair	25
Istanbul	fair	10
Jersey	rain	7
Karachi	hazy	29
Kuwait	fair	26
L. Angeles	fair	18
Las Palmas	fair	22
Lima	cloudy	26
Lisbon	rain	16
London	cloudy	4
Lux.bourg	cloudy	4
Lyon	cloudy	6
Madeira	fair	19
Madrid	fair	13
Majorca	sun	17
Malta	sun	16
Manchester	fair	2
Manila	fair	31
Melbourne	sun	30
Mexico City	sun	22
Miami	fair	28
Milan	hazy	7
Montreal	sun	-8
Moscow	cloudy	-4
Munich	cloudy	6
Nairobi	fair	27
Naples	sun	15
Nassau	fair	28
New York	fair	6
Nice	fair	11
Nicosia	shower	17
Oslo	snow	-3
Paris	cloudy	9
Perth	fair	31
Prague	cloudy	2
Rangoon	fair	34
Reykjavik	cloudy	4
Rio	sun	30
Riyadh	sun	26
Rome	sun	13
S. Frsco	fair	12
Seoul	fair	5
Singapore	shower	31
Stockholm	fair	-2
Strasbourg	cloudy	7
Sydney	fair	29
Tangier	cloudy	18
Tel Aviv	shower	17
Tokyo	shower	9
Toronto	fair	-5
Tunis	sun	18
Vancouver	shower	5
Venice	fair	8
Vienna	fair	4
Warsaw	fair	-1
Washington	fair	9
Wellington	fair	19
Winnipeg	fair	-15
Zurich	fair	8

FINANCIAL TIMES
COMPANIES & MARKETS
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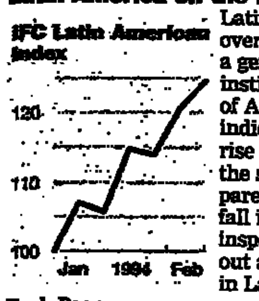
IN BRIEF

S&P downgrades VW and Fiat debt

The debt ratings of the Volkswagen and Fiat groups, two of the big six west European carmakers, have been lowered by Standard & Poor's, the international credit rating agency. Page 16

Decision time at Air France
Make or break time is fast approaching for Air France. Decisions taken over the coming weeks determine whether the loss-making state-owned carrier can recover and whether it can be wrought into shape for privatisation. Page 16

Latin America on the rise



Latin America has benefited over recent weeks from a general movement of institutional money out of Asia. This is clearly indicated by a 20 per cent rise in dollar terms since the start of the year, compared with a 11 per cent fall in Asia. On a summary inspection Brazil stands out as the clear leader in Latin America this year. Back Page

Japanese chemicals react badly
Most of the Japanese chemicals industry is suffering from the worst recession since the second world war. A high cost base and strong yen, combined with a migration of the industry's customers to other Asian countries, are making Japan an impossible base for manufacturing commodity chemicals. Page 17

US move worries producers of bauxite
Bauxite producers are depressed by the decision of the US to reduce the strategic stockpile of the ore it has built up during the past 30 years. They fear the move will cut prices. Page 22

Bingo and Sea Life lift Vardon
Vardon, the fast-growing UK leisure group which owns the London Dungeon, more than doubled its pre-tax profits. Figures were by boosted by the 10 bingo clubs it acquired in May. Its Sea Life attraction in Blackpool had a record year. Page 20

Hanson refinances Quantum
Hanson, the Anglo-American conglomerate, announced plans to complete the refinancing of Quantum Chemical Corporation's $2.35bn of junk bond debt. Page 20

Alvis buys vehicle maker
Alvis, the UK defence contractor, has bought Unipower, the Watford-based manufacturer of specialist vehicles for the military and commercial markets. Alvis is paying an initial £2m ($2.92m) for the lossmaking business. Page 21

HunterPrint shares dive
Shares in HunterPrint, the UK specialist printing group, lost 20 per cent of their value yesterday after its auditors expressed "fundamental uncertainty" over the going concern assumption used in the accounts. Page 21

Textile group suffers from volatile trading
Leslie Wise, the UK textile and garment group, blamed a flat year-end performance on volatile trading conditions in the retail sector. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bayer-Hypo	468.8	+	12.3
Berliner	306.5	+	9
Didier Werk	155.8	+	5.3
Dresdner Bank	422.8	+	12.8
Kloeckner Werke	130	+	4.9
Falls			
Metallgesel	210	–	7

NEW YORK ($)

Rises			
Boeing	45¾	+	1⅛
Hewlett-Packard	89¾	+	3⅛
McDonnell Doug	118¾	+	1⅞
Motorola	103¾	+	2⅝
QVC	51½	+	1⅜
Falls			
Merck	33⅛	–	½

PARIS (FFr)

Rises			
GTM Entrep	520	+	20
Paribas	544	+	13
Pechiney Intl	214.5	+	6.3
Valourec	274.9	+	8.4
Worms Cie	349	+	15
Falls			
Geophysique	597	–	13

TOKYO (Yen)

Rises			
Aoki Const	690	+	35
Japan Syn Rubb	538	+	27
Makino Mill	679	+	34
Settsu	438	+	31
Showa Denko	310	+	27
Falls			
Koito Manf	770	–	40

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Alvis	67	+	9
Border TV	200	+	25
Control Tech	461	+	19
FR Group	305	+	12
Fairline Boats	402	+	32
Ferrans	100	+	7
Gen Accident	681	+	21
Lloyds Chem	347	+	16
Office & Elec	53	+	6
Racal Elec	222	+	9
Tarmac	194	+	8
Taylor Woodrow	178	+	9
Thorn EMI	1131	+	26
Falls			
Church & Co	445	–	18
Hunterprint	16	–	4
Osprey Comm	49	–	3
Tiphook	54	–	4
Wilkes (J)	176	–	6
Yorks-Tyne T TV	336	–	28

SBC achieves 36% profit jump

By Ian Rodger in Zurich

Swiss Bank Corporation has launched the big Swiss bank results season in style with a sparkling 36 per cent rise in 1993 consolidated net income to SFr1.37bn – well ahead of earlier forecasts – and a proposed 14.3 per cent rise in dividends.

Following the news, the group's bearer shares put on SFr18 to SFr1,438 in a rising Zurich market.

SBC's underlying net income growth rate, excluding extraordinary gains from large asset sales in 1992, was a much higher 80 per cent, thanks to very robust earnings from trading and commissions and modest expense growth.

Also, the previous year's profits were severely depressed by the costs of reorganising the group's private banking operations and integrating the O'Connor Associates derivatives subsidiary.

Last year's earnings growth was achieved in spite of the decision to set aside massive provisions of SFr2.8bn, 44 per cent more than in 1992. In common with all Swiss banks, SBC has suffered from a surge in bad loans, especially in the depressed Swiss property sector. The bank indicated earlier it would be taking advantage of its high profits last year to make provisions for every foreseeable risk.

SBC said yesterday the provisions also included payments made to the former partners of O'Connor Associates which it took over in 1990.

The group said net operating income jumped 31 per cent to SFr9.2bn. Operating expenditure rose 16 per cent to SFr4.7bn, mainly because of performance-related compensation to some employees, leaving profits before taxes and provisions of SFr4.5bn, ahead 52 per cent.

Total consolidated assets rose 3 per cent to SFr207bn.

After-tax return on equity rose from 7.9 per cent to 10.2 per cent and the directors are proposing to raise dividends for the first time since 1989. The rate on the bearer share would rise from SFr14 to SFr16 while that on the registered share from SFr7 to SFr8.

As last year, shareholders will be offered the option of taking their dividends in shares with warrants on terms to be announced at the annual meeting on April 26.

The directors are proposing to create SFr100m par value of authorised capital for use in acquisitions or rights issues plus SFr150m par value for use in convertible bonds and bonds with warrants.

Richard Waters compares the latest US takeover wave with the 1980s version

Back in fashion, but with a different cut

At a casual glance, it looks as though the US takeover business is back to its old ways. After three depressed years, takeover activity in 1993 nearly returned to the level of the boom years of 1988 and 1989. This week, cable television group Viacom won the biggest contested takeover battle of the 1990s so far, taking on a mountain of debt in the process.

Takeover fever has a way of feeding on itself, as company bosses compete to acquire what is seen as a diminishing pool of attractive corporate assets. "M&A is like the fashion business: it's certainly become fashionable to do it again," says the head of mergers and acquisitions at one Wall Street investment bank.

The fees being earned by advisers on Wall Street also echo the sort of money raked in during the last takeover wave. Fees for Smith Barney Shearson and Lazards, which acted for Viacom and Paramount respectively, have been put at $12.5m apiece.

However, the 1990s takeover market differs from the 1980s version in some important respects. Despite the knock-about $10bn tussle for Paramount, hostile bids are less common and acquirers use strategic arguments to justify their deals, rather than purely financial ones. Few people these days talk about the dangers of short-termism, a hot topic in the 1980s.

Another difference is that much of the activity is focused in a narrow range of industries. In entertainment and telecommunications – or "multimedia" – and in healthcare a common theme is vertical integration, while banking is undergoing a steady consolidation. According to one estimate, 70 per cent of last year's takeover activity was in multimedia, healthcare and banking.

Besides these changes, there have been two other underlying shifts in the M&A business. First, the takeover market is no longer the place where shareholders look first to replace poor managements or realise the value in underperforming companies – one of its main functions in the 1980s. Shareholders are more willing to do the job themselves.

In the past year, chairmen have been unceremoniously ousted from companies as diverse as IBM, American Express, Westinghouse and Kodak. Prompted in part by such moves, incumbent managers have become more willing to slash costs and sack workers, or to break up their companies.

Some of the biggest corporate deals have involved companies spinning off subsidiaries no longer considered central to their operations – Kodak's disposal of Eastman Chemicals, American Express's plan to spin off Lehman Brothers, Sears, Roebuck's move to shed Dean Witter, Discover. Such unbundling was the battle cry of the corporate raiders of the 1980s.

It would be wrong to overstate the effects of shareholder activism, though. Company owners still have a tendency to act only after the damage has been done. "The amount of value that was lost in those companies [which have sacked their chairmen] before they took action was truly extraordinary," says Mr George Baker, an associate professor at Harvard.

The second theme is that takeovers (often dressed up as mergers) are being justified on grounds of strategy rather than price: few acquirers talk about achieving immediate financial gains through the acquisition of undervalued assets. The danger for shareholders is that, while clothing their acquisitions in high-flown talk, some companies could be overpaying.

Part of the reason for this shift is that many US managers, having spent years working off the effects of 1980s' over-indebtedness, have begun to search for new ways to expand their businesses. "They have milked cost-cutting – now they need to look at new ways of creating revenues," says Mr Herb Allison, head of investment banking at Merrill Lynch.

Talk of strategic acquisitions is loudest in the healthcare sector and in multimedia – where telecoms, cable television and entertainment are converging. Both sectors are being reshaped through vertical integration, with producers and distributors huddling together to protect themselves in rapidly changing markets.

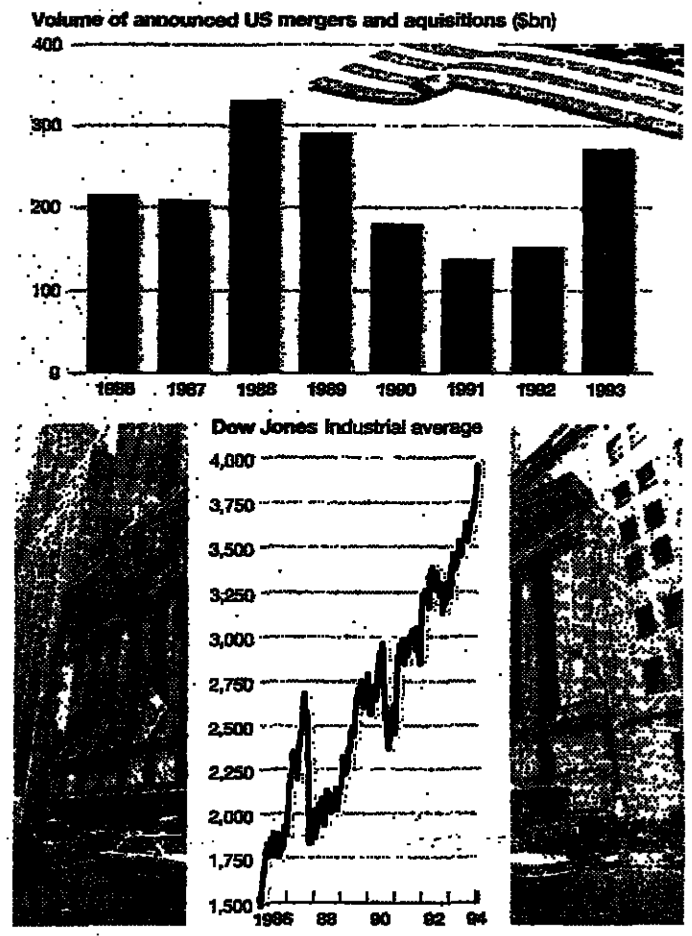
In the healthcare industry, a flagship deal was last year's $6bn acquisition of Medco Containment Services, a big drugs distributor, by Merck, the world's largest pharmaceuticals company. This grab for market share by Merck marked a radical departure and has left other drugs companies groping for ways to respond. But it also led to 12 per cent earnings dilution for Merck shareholders in the final quarter of last year.

In the multimedia industry, shareholders of acquiring companies have also seen the value of their investments fall. Shares in Bell Atlantic, which is buying TCI, have dropped from more than $65 before the deal was announced to $54¼ yesterday. Viacom's takeover currency – its non-voting B shares – has slumped to half last summer's level.

Investor concern has helped to prompt a shift in the financing of takeovers. Last year, on the back of a soaring stock market, acquiring other companies for shares was all the rage. Viacom's bid for Paramount was largely conceived as a stock-swap, but the financing changed – with banks stepping into the breach – as Viacom was forced to raise its bid and as its share price came under pressure.

Many bankers, starved of asset growth, now talk more ambitiously of a return to takeover financing, with its profitable arrangement and standby fees. Against the background of a shaky equity market, and with a healthy junk bond market waiting in the wings, leveraged takeovers could be about to make their return.

A high time in US M&As



Source: FT Graphite/Securities Data Co

Rhône-Poulenc slides and sees no increase until 1996

By John Ridding in Paris

Mr Jean René Fourtou, chairman of Rhône-Poulenc, France's recently privatised chemicals and pharmaceuticals group, yesterday expressed caution about recovery in the group's principal markets this year, and said he did not expect a substantial increase in profits until 1996.

Announcing a 36 per cent fall in net profits to FFr962m ($163m) in 1993, in line with estimates given by the company before its privatisation in November, Mr Fourtou said the economic outlook remained uncertain. He saw signs of stabilisation rather than significant recovery in its main markets.

Mr Fourtou blamed the decline in profits on the recession in Europe and the fall in prices of basic and agricultural chemicals. The price of acetic acid and soda, for example, declined sharply in the face of weak demand from industrial customers.

Despite the fall in profits and the difficult markets, Mr Fourtou said the group had made progress in increasing productivity and reducing debts. Net debt fell by FFr9bn during the year, from FFr33.7bn to FFr24.1bn. Cashflow improved from break-even in 1992 to FFr2.15bn.

The fall in debt was partly a reflection of the sale of assets, including the group's 35 per cent stake in Roussel-Uclaf. Mr Fourtou said the strategy of selling non-core assets, which brought proceeds of FFr6.1bn in 1993, would continue in an attempt to cut debts further.

In 1993, consolidated sales fell 1.4 per cent to FFr80.56bn. Operating income fell 12.8 per cent to FFr5.92bn, including restructuring provisions of FFr1.17bn. Provisions in the group's healthcare division rose sharply, from FFr5m to FFr616m, reflecting the conversion of a site in France and difficult markets in Italy and Germany after the introduction of healthcare reforms.

Declines also showed through in the group's basic chemicals operations and in its fibres and polymers division. Profits in the latter division fell from FFr532m to FFr56m, while the organic and inorganic chemicals division suffered a loss of FFr78m compared with a profit of FFr528m in 1992.

The slide in these parts of the group was only partly offset by a 15 per cent rise in profits in the healthcare division to FFr5.69bn. Specialty chemicals maintained its contribution at FFr559m.

Lex, Page 14

Westland says GKN's bid threatens its international links

By Tim Burt in London

Westland, the UK helicopter manufacturer, yesterday warned that moves to restructure the company and forge overseas alliances could be undermined if the UK engineering group GKN succeeded with its hostile bid.

Mr Alan Jones, Westland chief executive, said the future of the group would not be enhanced in management techniques or military sales if GKN, which already manufactures armoured vehicles, won full control.

The engineering and industrial services group launched a bid for Westland last week after agreeing to lift its existing 28.3 per cent stake by acquiring 18.7 per cent held by United Technologies, the US parent of Sikorsky helicopters.

Stepping up his opposition to the bid, Mr Jones said: "Our managers are encouraged to run the company with vision and courage. I'm not sure GKN can continue that."

He is expected to tell Westland shareholders at today's annual general meeting, when he will take over as chairman, that the company is well placed to win orders in partnership with overseas manufacturers such as McDonnell Douglas of the US and Agusta of Italy.

Westland is bidding with the US company for the UK Army's new attack helicopter and has joined forces with Agusta to develop the EH101 aircraft.

Mr Jones, who met Agusta executives in Italy on Tuesday, said: "We have a strong relationship and they want to stay with the people they know. We also have a deal running with McDonnell Douglas. GKN would not augment our ability to continue with such collaborators."

The engineering company declined to respond yesterday.

Mr Jones, meanwhile, said Westland's two largest institutional shareholders – M&G and Schroders – have reaffirmed their opposition to GKN's offer.

Westland shares closed unchanged at 333p, a 14.8 per cent premium to the GKN offer.

BMW expects to regain ground

By Christopher Parkes in Frankfurt and John Griffiths in London

BMW, the German carmaker, expects to boost its profits by 20-30 per cent this year, recovering much of the ground lost in 1993 when net profits slumped to about DM510m.

The company, which plans to take control of Rover Group, yesterday forecast a 5 per cent increase in deliveries of BMW models, and said income from the British business could increase earnings even further.

The buoyant predictions came as teams from BMW and Rover Group were understood to be preparing to fly to Tokyo for talks early next week with Rover's long-standing partner, Honda, on BMW's intended acquisition. The teams are expected to be led by Mr Bernd Pischetsrieder, BMW chairman, and Mr John Towers, Rover chief executive.

Honda has a 20 per cent stake in Rover and has made plain its anger and dismay over the £800m ($1.2bn) sale to BMW by British Aerospace of its 80 per cent stake in Rover. The Japanese carmaker has indicated that its quarrel is not with Rover or BMW but with BAe.

Both European parties hope to persuade Honda not to withdraw from its collaboration with Rover and point to benefits in long-term tripartite co-operation.

Earlier this week Mr Pischetsrieder promised "considerably higher" investment in Rover than had been planned by BAe. Yesterday, he vigorously denied rumours that BMW planned to reduce the Rover product range. He also repeated pledges that the British business would be run as an independent operation, adding that aggregate sales of DM40bn ($22.7bn) and the expected profits would offer job security at both companies.

Mr Pischetsrieder based his optimism for 1994 profits on new models due on the market this year, economic recovery in Europe and accelerating demand in the US. A compact, two-door version of the successful 3-Series, launched this week, was expected to bolster turnover. Further impetus would come from the new 7-Series.

He said the greatest uncertainty stemmed from unforeseeable exchange rate variations, but the board was "well satisfied" with the situation.

Lex, Page 20; VW and Fiat debt ratings, Page 16

S&P downgrade for VW and Fiat debt ratings

By Kevin Done, Motor Industry Correspondent

The debt ratings of the Volkswagen and Fiat groups, two of the big six west European carmakers, have been lowered by Standard & Poor's of the US (S&P), a leading international credit rating agency.

The downgrading reflected "increasingly difficult" industry conditions in Europe, said the agency, and follows the lowering of debt ratings for other car producers including Nissan and Honda of Japan and BMW of Germany earlier this month.

The ratings of Renault and the PSA Peugeot Citroen group of France are also being examined and have been placed on the agency's credit watch "with negative implications".

S&P has lowered the rating of VW's long-term debt to A+ from AA- (the highest investment grade rating is AAA, and the lowest is BBB), while VW's commercial paper rating has been lowered to A-1 from A-1+. Fiat's commercial paper rating has been lowered to A-2 from A-1.

The rating outlook for Volkswagen was negative, said S&P, because of the extent of the group's cost problems and "uncertainty over the adequacy of its remedial actions".

Fiat's competitive position was weak owing to the company's ageing product range and high degree of reliance on the Italian market. The success of its current new product development programme was critical.

S&P said the increasing economic integration of Europe meant that the automotive market was more subject to volatile cyclical fluctuations than in the past. Long-term growth in demand was expected to slow as markets approached saturation, and competition was intensifying as national trade barriers were eliminated.

Significant excess capacity in the European car industry was expected to persist, due in part to the development of new assembly plants by leading Japanese carmakers.

European carmakers were "highly vulnerable" to competitive conditions in Europe due to their "relatively limited" geographic presence in other regions of the world.

Intensifying price competition and cost pressures were offsetting the benefits that European carmakers were gaining from actions to renew their product ranges and improve their operating efficiency.

Provisional June date for Dutch telecomms sell-off

By Ronald van de Krol in Amsterdam

The privatisation of KPN, the Dutch state-owned telecommunications and postal company, is provisionally scheduled to take place in early June, with June 7 the most likely date for the opening of subscriptions to investors.

The date is contained in a provisional timetable drawn up by the banking syndicate, led by ABN Amro, after consultations with the government. The actual date may be moved depending on the progress made in preparing for the flotation, which will rank as the largest in the history of the Amsterdam stock exchange.

The finance ministry declined to comment on the date, noting only that the government has said in the past that the shares would be sold before the end of June if stock market conditions permit.

The Dutch state is expected to sell a 30 per cent stake in KPN when the first tranche of shares, worth an estimated Fl 5bn ($2.6bn), is offered to investors in June. Subsequent tranches in the late 1990s will reduce the government's holding to less than 50 per cent.

Austrian group aims to raise Sch3bn

By Patrick Blum in Vienna

Mayr-Melnhof (MM), a family owned Austrian company and one of Europe's leading carton and packaging companies, plans to raise about Sch3bn ($250m) through a share issue early in the spring, Mr Michael Gröller, chief board executive, said yesterday.

The Mayr-Melnhof family will keep a two-thirds stake after the flotation which is expected to take place in April with Morgan Stanley as international lead managers and Creditanstalt Bankverein, the Austrian bank, as domestic managers. The shares will be offered to investors in western Europe and the US, and will be listed on the Vienna Börse.

The proceeds will finance acquisitions in Europe. "The industry is going through a process of concentration. We have two options. We can either be a local niche producer or build up our strength in Europe," said Mr Alfred Fogarassy, board member.

Past acquisitions financed from own resources included the purchase in 1992 of Deeside Paperbox in Manchester, UK, and a 50 per cent stake in C.P. Schmidt Verpackungswerk of Germany. In addition to plants in Germany, the UK and Austria, MM also has subsidiaries in Switzerland, France, Italy and the Netherlands.

MM's activities in eastern Europe are expected to grow as part of its strategy to supply multinational companies moving into new post-communist markets. MM has a plant in Hungary, and projects are planned for Poland and the Czech Republic.

MM was founded 100 years ago, and is one of the world's leading cardboard manufacturers, producing carton board, folding cartons, and recycling waste paper. In 1992, it produced about 1m tonnes of carton board, giving it a 20 per cent share of the European market. Production of folding carton used primarily for packaging food, beverages, and other products such as washing powders, was about 100,000 tonnes.

Air France's tight schedule for recovery

The loss-making airline has little room for manoeuvre, writes **John Ridding**

Make or break time is fast approaching for Air France. Decisions taken over the coming weeks at the company's headquarters and government offices in Paris, and at the European Commission in Brussels, will determine whether the loss-making state-owned carrier can recover and whether it can be wrought into shape for privatisation.

On Tuesday evening, Air France's 42,000 employees were sent a letter from Mr Christian Blanc who took over as chairman last October following the forced departure of Mr Bernard Attali, the victim of a violent strike and the withdrawal of government support for his rescue plan.

The letter contains outline proposals for Mr Blanc's own recovery strategy and an appeal for staff support for his plan. The aim is to complete a package of recovery measures by the beginning of March. It will then require approval by the board and unions and be presented to the government. If, as expected, the plan includes an injection of capital, it is sure to be scrutinised by the European Commission.

The schedule is tight. But the financial position facing the French airline leaves little room for manoeuvre. Recession in its principal markets and its high cost base prompted losses last year of about FFr7.5bn ($1.3bn). The company's debts are estimated at FFr36bn and its annual financial costs at about FFr3.3bn.

"I hear it said that we cannot go bankrupt. That is false," says Mr Rodolphe Frantz, managing director, in an interview in the airline's internal newsletter. "It is in the current quarter that the survival of the company will be decided. Never have we faced such a pressing danger."

There is method in Mr Frantz's gloomy message. In the wake of last year's disastrous strike, Mr Blanc and his management team have sought to convince the airline's employees of the need for fundamental and rapid reform.

Warnings of the company's plight are part of the process. This has been combined with the establishment of performance targets needed to rescue the airline and the critical stage of designing measures to achieve these goals.

The targets are clear. In a statement issued last December, Mr Blanc said that the airline must return to profit within the next three years. Revenues must be increased by 14 per cent by 1997 and financial costs must be halved by the end of 1998. Spending on equipment and salaries must fall by 7 per cent and 10 per cent respectively in each year until 1997, according to Mr Blanc.

Now comes the hard part – how to achieve these ambitious goals. Mr Blanc has deliberately left himself room for manoeuvre on this score.

NET PROFIT (LOSS) FFr m	
1986	670
1987	720
1988	1,170
1989	850
1990	(720)
1991	(690)
1992	(3,200)
1993	(*7,500)

*Estimated

WORKFORCE	
1986	35,269
1987	35,894
1988	37,122
1989	39,111
1990	39,810
1991	39,469
1992	*44,596
1993	†42,036

*Includes UTA workforce after merger
† At November 11 Source: Air France

"The events of last year mean that he cannot reform by diktat" says one French banker. "He needs to co-opt the personnel and give them a role in the recovery plan."

The new chairman has, however, indicated the means that might be employed to reach his ends. These include a series of proposals to reduce salary costs, such as a voluntary wage freeze or pay cuts. Higher-paid employees might be offered an equity stake in the airline in return for a reduction in their salaries.

These proposals have some support from within the company. Results of a poll launched at the end of last year showed that of the 35 per cent of the company's employees who responded to a questionnaire, 51 per cent would accept a reduction in pay to help the airline survive.

The idea of receiving shares in Air France in return for pay cuts was deemed an attractive idea by 64 per cent of respondents.

Other proposals include a radical restructuring of the group's operations. Air France's activities could be broken up into separate profit centres, either along business or geographical lines, in an attempt to increase accountability and efficiency.

"It is necessary to completely rebuild the organisation," Mr Blanc said in the letter to his staff. As in Mr Attali's rescue plan, non-core assets such as the Meridien hotels group, are expected to be sold to cut debts.

Whatever the final shape of the plan, its success will depend on two substantial hurdles – the reaction of the unions and the company's ability to raise new capital.

On the first count, Mr Blanc has sought to reduce opposition through consultation and by seeking alternatives to forced redundancies.

Plans to cut 2,100 jobs this year, for example, are to be achieved through early retirements and attrition.

But the fractured nature of the company's union organisation remains a grave threat.

There are 14 unions at the airline, and the power of wildcat actions was clearly demonstrated during last year's strike.

Even without industrial disputes, the rescue plan will mean little without a strengthening of the company's balance sheet. The airline is adamant that the government must play its role.

"If the state cannot give the necessary capital then the company will be condemned," says Mr Frantz.

The problem is the amount of capital needed, estimated at up to FFr8bn, and the reaction that a substantial allocation of state-aid would probably trigger in Brussels.

The European Commission is already investigating a capital injection of FFr1.5bn made to Air France by the previous French government and has recently frozen a refinancing of Groupe Bull, the computer company.

A report issued earlier this month, which was sponsored by the Commission, called for the end of state support for the European airline industry, although it left open the possibility of a "one time, last time" dose of aid. Unless Mr Blanc can pull his plan together, there may not be a next time for Air France.

Lower lira set to boost Merloni

By Haig Simonian in Milan

Merloni, the Italian white goods group, expects pre-tax profits to recover to about L45bn ($27m) for 1993 against L4.8bn the previous year.

The improvement stems from higher margins because of the lower lira and the one-off effect in 1992 of a L24bn foreign exchange loss. Net group earnings in 1992 were only L1.6bn.

Mr Vittorio Merloni, chairman, said that last year's sales soared by 30 per cent to more than L1,700bn, thanks to the first-time consolidation of Pekel, the Turkish white goods group 54 per cent owned by Merloni. Stripped of the acquisition, the increase would have been about 15 per cent, he said.

Merloni had raised its share of the European white goods market by about 1 percentage point, to more than 9 per cent, behind Electrolux, Bosch-Siemens and Whirlpool, he said.

Mr Merloni, who hopes to reach a 10 per cent market share, did not exclude further acquisitions, particularly now the group's net financial indebtedness was under control. Merloni's net indebtedness actually rose to L230bn last year from L206bn in 1992. However, that was swelled by the Pekel takeover, without which the total would have been about L185bn. Following the advance repayment of a L100bn convertible bond, announced yesterday, net debt was now about L180bn.

The lower lira should have boosted margins by about L80bn last year, said Mr Merloni. However, about half the competitive edge gained had been used to maintain or even reduce prices. Of the remaining L40bn, around half had been used for extra promotion or restructuring, while only the remaining L20bn had fed through to the bottom line, he said.

Electricité de France increases profit by 24%

By John Ridding in Paris

Electricité de France, the state-owned utility, shrugged off the effects of recession to achieve net profits of FFr3.1bn ($526m) last year, an increase of 24 per cent over 1992.

The results exclude a payment to the state, which is part of a four-year agreement, and which is estimated at about FFr1bn for last year. Sales rose by 3.5 per cent to FFr183.6bn, with a strong increase in exports of electricity.

Mr Gilles Ménage, chairman of EdF, said he expected only a slight increase in electricity rates this year, of the order of 0.5 per cent, below an expected inflation rate of just over 2 per cent. He described the limited increase which has to be confirmed by Mr Edmond Alphandéry, the economy minister, as "good news for the French consumer".

Investments were held constant at FFr32.9bn, but the company's cashflow strengthened and borrowings were reduced from FFr194.8bn to FFr176.5bn. Interest costs represented about 9.5 per cent of turnover, according to EdF.

INTERNATIONAL COMPANIES AND FINANCE

Sumitomo Chemical in Y9bn loss

By Paul Abrahams in Tokyo

Sumitomo Chemical, the large Japanese chemicals company, yesterday posted its first non-consolidated operating loss, demonstrating the depth of the crisis afflicting the industry in Japan.

The company halved its full-year dividend to Y3 per share. Sumitomo forecast static sales this financial year and would make no profit on the operating, pre-tax or post-tax lines.

The group warned it would need to sell securities worth Y10bn ($96m) this year for its operating profits to break even.

The group, the first of the big Japanese chemicals companies to report full-year results, reported a loss of Y9.7bn for the year to December 31, compared with a profit of Y7.4bn in 1992.

Consolidated pre-tax profits fell 18.6 per cent from Y40.3bn to Y32.8bn. Consolidated operating profits fell from Y53bn to Y36.8bn. The consolidated results, which were achieved on sales down 8 per cent from Y1,018bn to Y936bn, were flattered by a number of exceptional factors. These included a gain of Y22.7bn on sales of securities, and Y5.7bn on the sale of property in Osaka. There were no such gains in 1992.

Sumitomo also made provisions of Y15.6bn for currency losses, bad debts, topping up the pension fund and the cost of disposing of plants. That compared with similar charges in 1992 of Y4.7bn. Post-tax earnings fell from Y16.3bn to Y12.8bn. The tax charge fell from Y23.9bn to Y20bn. Earnings per share fell from Y10.09 to Y7.87.

The company forecast consolidated sales of Y960bn this year, generating operating profits of Y40bn, pre-tax profits of Y27bn and post-tax earnings of Y11bn.

Paul Abrahams looks at changes facing Japan's chemicals companies

Troubled sector learns to live with recession

Sumitomo Chemical, like most of the Japanese chemicals industry, is suffering the worst recession since the second world war. A high cost base and strong yen, combined with a migration of the industry's customers to other Asian countries, are creating a secular change that is making Japan an impossible base for manufacturing commodity chemicals.

Most of Sumitomo's problems centre on the basic chemicals division, which plunged to an operating loss of Y6.9bn ($67m) in 1993 from profits of Y554m in 1992. Turnover at the division, which principally manufactures petrochemicals products such as plastics, synthetic rubber and methyl methacrylate, fell 13.2 per cent from Y422bn to Y367bn.

The division, like the rest of Japan's petrochemicals industry, is struggling with a collapse in domestic demand, massive over-capacity and falling prices. Nearly all petrochemicals groups are in loss. The industry's 12 largest manufacturers of ethylene, the basic building block of plastics, are expected to report combined losses during 1993 of Y51.6bn, according to analysts.

Mitsubishi Kasei, which because of its problems is to merge with Mitsubishi Petrochemical, yesterday announced it would report a Y2bn operating loss for the 12 months to the end of March. That compares with a profit of Y10.8bn.

The collapse in plastics prices has been particularly severe. Sumitomo estimates poor demand from the automotive sector has driven polypropylene prices down 20 per cent over the last 12 months. Similarly, PVC prices have fallen 10 per cent because of poor demand from the construction sector. Customers have been using the low prices of imported products – assisted by the strong yen – to drive down domestic prices.

The petrochemicals sector is incapable of exporting itself out of trouble because of the strength of the yen, according to Mr Yukio Murakami, director of Chem Systems Japan, the specialist consultants.

Instead, petrochemicals companies are looking to construct capacity overseas, says Mr Murakami. This week Mitsubishi Petrochemical announced it was forming a joint venture with Royal Dutch Shell to construct south-east Asia's largest styrene monomer plant in Singapore. That followed Sumitomo's decision last week to acquire a small equity stake in Petrocap, a joint venture in the Philippines which is building a 160,000-tonnes-a-year polypropylene plant near Manila.

Meanwhile, Sumitomo's speciality chemicals division, which theoretically should be less affected by the recession, also suffered last year. Operating profits fell from Y49.6bn to Y38.5bn on sales down 2.7 per cent from Y512bn to Y498bn. Nearly all the operating profits were generated by Sumitomo Pharmaceuticals, which posted profits of Y37bn (Y38bn) on sales unchanged at Y239bn.

The division's dyestuffs operations suffered particularly from cheap imports from China and India, according to the company. The domestic market was depressed as textile manufacturers shifted production to south-east Asia. The agrochemicals business also had a bad year, as it struggled against low-price competition from the US and Europe.

Sumitomo must be grateful that it decided to diversify into pharmaceuticals in 1984. The business generated operating profits of Y37bn, compared with group trading profits of Y36.8bn. However, Sumitomo Pharmaceuticals expects to report static turnover this year at Y239bn, and only modest profit growth because of price cuts due to introduced by the Japanese ministry of health in April.

To achieve its break-even target this year, Sumitomo is launching a cost-cutting programme. It said it is willing to import low-cost raw materials even at the expense of stopping production at its own plants. It also plans to improve margins by reducing manufacture of low-cost products such as PVC, dyestuffs and agrochemicals intermediates, importing them from China and India.

In spite of its troubles, European petrochemicals groups may look enviously at Sumitomo. If the Japanese group's position continues to deteriorate, it can always raid the Y319bn unrealised profits on its securities portfolio.

Canon hurt by strong yen

By Emiko Terazono in Tokyo

Canon, a leading Japanese camera and office equipment maker, reported its first profit decline in seven years for the year ended last December, due to the yen's sharp rise against the dollar.

Canon said that in spite of efforts to restructure its operations so that it would be able to make profits at an exchange rate of Y100 to the dollar, annual parent pre-tax profits plunged 51.5 per cent to Y37.4bn ($362m), due to Y1.1bn in foreign exchange losses.

The company said it managed to offset 80 per cent of its foreign exchange losses by increasing its prices and cutting costs. But sales, 79 per cent of which derives from exports, fell 2.5 per cent to Y1,036.9bn, while operating profits declined 32.5 per cent to Y44.1bn. After-tax profits fell 49.8 per cent to Y20.3bn.

Sales of copiers fell 5.3 per cent to Y315.1bn and information equipment fell 6.7 per cent to Y106.7bn, but its mainstay computer printers rose 7.3 per cent to Y435.1bn. Camera sales plunged 20.7 per cent to Y132.6bn due to price cuts amid the current downturn in the domestic economy.

For the current year, Canon hopes an increase in computer printer sales will help its performance. On the assumption that the yen stands at Y107 against the dollar and Y65 against the German mark, the company is forecasting a 6.8 per cent rise in pre-tax profits to Y40bn on a 3.1 per cent increase in sales to Y1,070bn. After-tax profits are expected to rise 8.3 per cent to Y22bn.

Turnround at Enso-Gutzeit

By Christopher Brown-Humes in Stockholm

Enso-Gutzeit, the Finnish pulp and paper group, has put two years of losses behind it by posting a FM385m ($70m) profit after financial items for 1993.

The result, which compares with a FM192m deficit in 1992 and a FM950m loss in 1991, was struck after a 27 per cent jump in net sales to FM13.06bn.

Mr Jukka Härmälä, chief executive, attributed the improvement to cost-cutting, the weaker Finnish markka, higher productivity and lower wood prices. He noted all the group's divisions had produced better figures in markka terms, in spite of difficult market conditions throughout the pulp and paper industry.

The strong growth in sales reflected markka weakness and the group's expansion programme. It acquired Tampella's forest products and packaging operations for FM3.6bn in May. It benefited from increased sales from its new Enocell pulp mill. The group partly offset weakness in European markets by increasing sales to south-east Asia.

Analysts believe the result may encourage the government to reduce its majority stake in Enso as part of the long-awaited launch of its privatisation programme.

The group's consolidated operating margin amounted to FM2.99bn, or 22.9 per cent of net sales, up seven percentage points on 1992. Depreciation rose to FM1.1bn from FM786m, and net interest expenses increased to FM1.38bn from FM955m.

Exchange rate losses at FM140m were FM60m higher than in 1992.

Unitas still in deficit at FM2.6bn

By Christopher Brown-Humes

Unitas, Finland's second-largest banking group, stayed in the red with a FM2.57bn ($467m) deficit last year and warned it may not show a clear profit until 1996.

It is the bank's third consecutive annual loss and reflects the weak state of the Finnish economy and high credit losses.

Mr Vesa Vainio, Unitas's chairman, said the group's result would improve this year, but it would still be negative. "In 1995 we expect to have left losses behind us and 1996 should be a clearly profitable year," he added.

The 1993 deficit was only slightly lower than 1992's FM2.70bn loss.

Group net income from financing operations rose by 27 per cent to FM2.17bn due to the fall in Finnish interest rates and improved efficiency.

However, the benefit was wiped out by a FM500m jump in credit losses to FM3.77bn. The latest figure was aggravated by a FM750m provision against likely future write-offs.

Unitas, which is the holding company for the Union Bank of Finland, said corporate credits accounted for FM2.46bn of credit losses and households FM251m.

The most problematic sector was trade, hotel and restaurant, accounting for 22 per cent of write-offs, followed by real estate with 14 per cent and construction at 12 per cent.

"Credit losses are expected to decrease this year as the economic recovery gets under way and interest rates stay low," said Mr Vainio.

Non-performing loans peaked during 1993 and at the year-end totalled FM6.84bn, down FM1.46bn from a year earlier.

AECI improves 28% to R347m

By Matthew Curtin in Johannesburg

Improving domestic sales volumes and a sharp decline in financing costs buoyed results at South Africa's AECI in 1993 in the face of slow growth in export sales and weak prices for its output. The Anglo American-owned chemicals producer reported a 28 per cent rise in pre-tax profit to R347m ($102m) in the year to December 31 against R270m in 1992.

Turnover climbed to R5.97bn from R5.55bn, including exports worth R649m against R643m, to leave the operating margin unchanged at 8 per cent. Although operating profit improved to R467m compared with R432m, the figure is still below levels five years ago. Financing costs benefited from lower domestic and overseas interests rates and fell to R120m from R162m.

The group's extensive capital programmes and higher working capital needs pushed net borrowings R116m higher to R858m by the year-end. A R75m expansion project at subsidiary SA Nylon Spinners was completed in the year, while spending accelerated on the the group's R270m joint venture with the Industrial Development Corporation to make lysine, an ingredient in poultry and pig feed.

AECI is committed to new joint ventures with Imperial Chemical Industries (ICI) – which has swapped its 25 per cent holding in the group for a 51 per cent interest in AECI's explosives business – and Sasol in a R400m project to merge the groups' upstream and downstream petrochemical operations.

However, earnings growth at AECI remains hobbled by its 25 per cent stake in loss-making Soda Ash Botswana, plagued by operating difficulties and a slump in local demand for soda ash and strong overseas competition.

AECI suffered a R12m investment loss and is considering making a provision of about R140m for present and future investment in the project which will be set off against proceeds from the deal with ICI.

Attributable earnings, lifted by a R31m one-off tax credit, climbed to R237m from R164m, equivalent to 153 cents a share against 106 cents. Total dividend is unchanged at 58 cents.

Burns Philps earnings rise to A$76.3m

By Nikki Tait in Sydney

Burns Philps, the Australian food and hardware retailing company which has been restructuring around its food and food ingredients division, yesterday reported a 40 per cent increase in profits after tax in the six months to end-December, to A$76.3m (US$54.5m) from A$54.5m.

The company said it was still preparing to float its hardware retailing division on the stock market, but would consider a trade sale of the business if this was in the interests of shareholders. It said earnings before tax interest and tax from its hardware division were up by 55 per cent at A$27.7m.

Mobil signs Indian joint venture

By Stefan Wagstyl in New Delhi

Mobil Petroleum, the US oil company, yesterday signed a joint venture with Indian Oil Corporation, India's state oil company, a move which sees Mobil returning to India after an absence of nearly 20 years.

Like other large multinationals, Mobil quit India in the mid-1970s in response to the autarchic economic policies of the government of Mrs Indira Gandhi, the former prime minister. The liberalisation of the economy by Mr P.B. Narasimha Rao, the prime minister, has encouraged some of these multinationals to return, notably IBM and Coca-Cola of the US.

The venture with Indian Oil Corporation covers the blending and distribution of Mobil-brand lubricant oils through Indian Oil's nationwide chain of petrol stations and other outlets, which have a market share of 57 per cent. The partners will invest in a Rs470m ($14m) blending plant to be built in the state of Haryana, near Delhi. It will go on stream in late 1996, producing 100,000 tonnes of oils a year.

Mr R.C. Parker, chairman of Mobil Asia Pacific, Mobil's regional company, said the group was delighted to be back in India. Both Mobil and Indian Oil had much to offer and much to gain at a time of growth in the region.

Hewlett-Packard beats forecasts with 41% surge

By Louise Kehoe in San Francisco

Hewlett-Packard, the US computer and electronics group, yesterday reported a continuing strong performance for its first fiscal quarter, with a 41 per cent increase in net earnings and 24 per cent growth in revenue.

The results reflect the group's advance in the computer market at the expense of some of its largest competitors, including IBM and Digital Equipment.

HP's share price rose sharply on news of the results, which outstripped Wall Street expectations. At midday, its shares were trading at $89¾, up from Tuesday's close of $85¼.

"The year is off to a good start," said Mr Lew Platt, chairman, president and chief executive. "We turned strong revenue growth into better profits, largely due to focused management of operating expenses."

Net earnings for the quarter were $368m, compared with $261m, while earnings a share rose to $1.42 on approximately 259m shares of common stock. This compares with $1.03 a share on about 252m shares in the first quarter of fiscal 1993.

The increase in shares outstanding reflects a change in accounting for employee stock options. The change reduced earnings a share by about four cents, the company said.

Net revenue for the quarter was $5.7bn, compared with $4.6bn in the first quarter of fiscal 1993. US sales were $2.6bn, an increase of 25 per cent, while revenue from outside the US rose 24 per cent to $3.1bn.

The first quarter was marked by strong demand for HP's computer printers, personal computers, multi-user computers and workstations, the company said.

"Overall, we're very encouraged by the quarter's results," said Mr Platt. "This quarter's revenue growth far outpaced the increase in operating expenses." Operating expenses were 28.4 per cent of revenues, compared with 32.5 per cent in the same period a year ago. "This is a key goal in our efforts to improve profitability."

Cost of goods sold was 61.1 per cent of net revenue, down slightly from 61.4 per cent in the preceding quarter. Mr Platt said that HP would continue to maintain its emphasis on lean operating-expenses.

HP has set ambitious goals to play a central role in emerging markets for "information superhighways" including interactive television and mobile computing.

It aims to blend its traditional expertise in electronic test and measurement equipment with its computer and communications technologies to create a broad range of new products.

Clayton Dubilier in further acquisition

By Richard Waters in New York

Westinghouse Electric has agreed to the sale of its electrical supply company for $340m, marking the latest in a series of disposals planned by the troubled US conglomerate.

The company, with annual sales of $1.6bn and 3,000 employees, is being bought by Clayton Dubilier & Rice, a private investment firm which has been an active buyer of businesses shed by ailing corporations.

Westinghouse said last year it was in negotiations to sell Westinghouse Electric Supply to shed unprofitable businesses which it no longer considered core. The price for the company is put by Clayton Dubilier at just below its book value.

The deal brings to about $1bn the purchases made by the investment firm in the past two months. At the end of last year, it paid $310m for General Motors' Allison Engine subsidiary, and $300m for Du Pont's Remington Arms business.

The purchase price comprises $100m of equity and $50m of mortgage notes, with the balance in the form of bank debt, said Mr Alberto Cribiore, a principle at the firm. Westinghouse will keep a 10 per cent stake in the company, with an option to increase the stake.

Wesco distributes electrical products to manufacturing and construction companies.

The investment firm said its policy was to strengthen the management of companies it bought and run them as stand-alone businesses. Mr Charles Ames, a Clayton Dubilier principle and former chairman of Reliance Electric, will become chairman of Wesco.

Other acquisitions have included Xerox's Van Kempen Merritt, an investment management company, and IBM's Lexmark International, a computer workstation

BNL comes back under the spotlight

Haig Simonian reports on the surprise decision by the Italian bank's chief to step down

Italy's treasury-owned Banca Nazionale del Lavoro shot back into the headlines this month after its chairman, Mr Giampiero Cantoni, decided to step down temporarily.

Mr Cantoni was brought in to remove the bank from the limelight in 1989 when revelations about $4bn in unauthorised loans to Iraq from its Atlanta branch triggered an international outcry.

BNL has maintained a fairly low profile since then. Apart from a flurry during the 1991 collapse of the Federconsorzi farm services group, the new management, under Mr Cantoni, has steered a reasonable recovery at the once scandal-ridden bank.

Parent company figures for 1993, revealed yesterday, showed a 68 per cent surge in gross operating profits to L1,527bn ($911m), confirming the bank's continuing recovery since the Atlanta affair.

However, Mr Cantoni's decision last week to step down temporarily has catapulted the bank back on to the front pages. Although he stressed the move was for personal reasons – Mr Cantoni is being investigated about alleged bribes to accelerate planning procedures in a Milan suburb where his family engaged in property speculation – matters have become more complicated.

BNL has also attracted the attention of Bank of Italy inspectors looking into loans made to the now-bankrupt Mandelli robotics group.

Among the companies Mandelli bought in the rapid expansion which largely accounts for its plight, is a concern in which Mr Cantoni had a substantial interest. Although the Bank of Italy has not yet reached formal conclusions, the fact that BNL's chairman potentially faced a conflict of interest in approving big credits to Mandelli has not helped the bank's reputation.

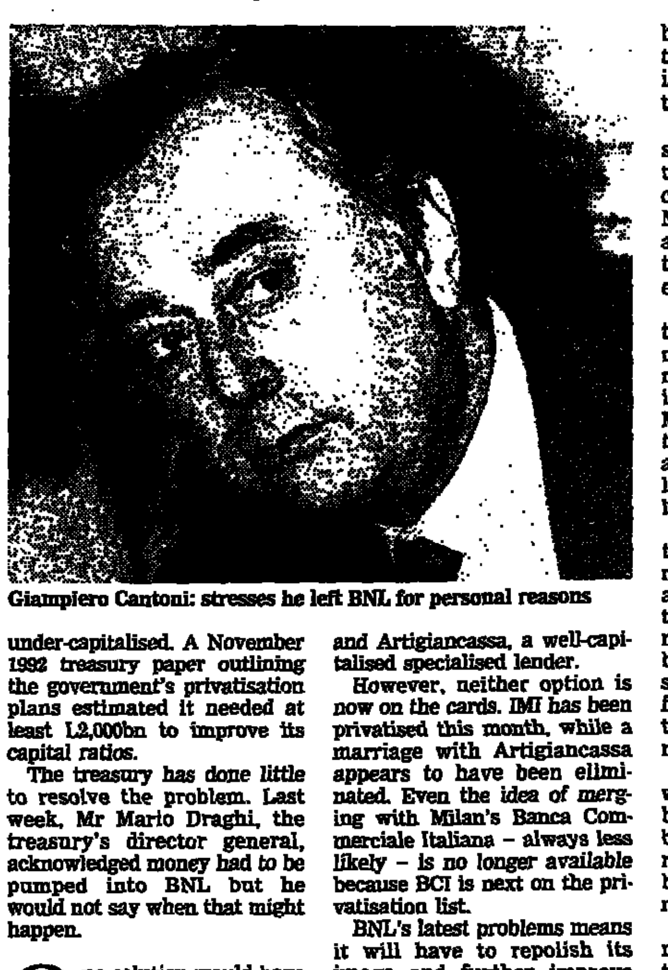
Matters worsened this week after leaks about other potentially questionable lending by Efibanca, the bank's long-term industrial lending subsidiary, to entrepreneurs, some now in financial difficulties and closely associated with the now-discredited Socialist party.

Although Efibanca has rejected most of the claims, politically-influenced lending is nothing new in Italian banking, where the majority of banks are state-owned.

BNL is a Socialist stronghold, while Mr Cantoni is close to the party's former leaders. Whatever the facts, the mere suggestion the bank may be heavily exposed to entrepreneurs linked to the Socialists is highly unwelcome now attention in Italy's mushrooming political corruption scandal has shifted to the banking world.

The latest mishaps have led to calls for a management shake-up. BNL's unions this week demanded a "clarification" of the bank's policies.

The upsets have also refocused attention on its deeper structural problems. BNL has for some years been



Giampiero Cantoni: stresses he left BNL for personal reasons

under-capitalised. A November 1992 treasury paper outlining the government's privatisation plans estimated it needed at least L2,000bn to improve its capital ratios.

The treasury has done little to resolve the problem. Last week, Mr Mario Draghi, the treasury's director general, acknowledged money had to be pumped into BNL but he would not say when that might happen.

One solution would have been to merge with a better-capitalised state bank. The two candidates frequently cited were Istituto Mobiliare Italiano, the profitable financial services group, and Artigiancassa, a well-capitalised specialised lender.

However, neither option is now on the cards. IMI has been privatised this month, while a marriage with Artigiancassa appears to have been eliminated. Even the idea of merging with Milan's Banca Commerciale Italiana – always less likely – is no longer available because BCI is next on the privatisation list.

BNL's latest problems means it will have to repolish its image and further improve earnings before the treasury can think seriously of such options – let alone privatisation.

Yet the need to find a solution is pressing given the bank's size and status as the the primary bank for the Italian state and public administration.

Another management shake-up seems virtually certain. However, matters are complicated by the fact that Mr Cantoni has not resigned, although he will not seek a further term after his contract expires later this year.

That may be too late for the treasury, which seems determined to impose new management. The changes may also involve Mr Davide Croff and Mr Umberto d'Addosio, BNL's two managing directors, who are under fire for not controlling the bank more stringently.

But any changes will not take place quickly. Finding replacements for Mr Cantoni and the two managing directors could be difficult given the need for executives combining both proven integrity with strong experience in Italian finance and a willingness to take on the challenge of running BNL.

Any management changes will probably be accompanied by a slimming down of its bloated 19-member board to reflect similar changes at other big treasury-controlled companies.

BNL has to observe a 45-day notice period before it can call the extraordinary general meeting necessary to approve a cut in its board of directors. That means the move will only come after Italy's general elections next month, which may confuse matters further.

Statoil buys stake in US gas producer

By Karen Fossli in Oslo

Statoil, the Norwegian state oil company, has bought a 38.1 per cent stake in Eastern Group, a US gas producer, trader and distributor. The deal will give the Norwegians a foothold in the US gas market, the second biggest in the world.

Statoil has been seeking to export gas to the US but has been unable to obtain prices which would justify such a move.

"Acquiring the interest in the Eastern Group and initiating a marketing collaboration with the company form part of Statoil's efforts to expand its international involvement in the natural gas sector," it said.

The companies have not disclosed the terms of the deal, but Statoil will gain two seats on Eastern Group's board.

A gas marketing venture is to be set up through which Statoil will supply Eastern Group with a minimum of 5.6bn cubic metres of natural gas over a five-year period which would be sold in the US market.

Statoil will either buy the gas in the US market or swap crude oil imported from Norway and traded by its US subsidiary in exchange for US gas.

The Eastern Group is considering going public and may seek a listing on either the New York Stock Exchange, Nasdaq or the American Stock Exchange.

In 1993, the company achieved a turnover of more than $140m and it sells about 2bn cubic metres of natural gas annually.

Industry specialists said prices for gas sold at the wellhead in the US spot market ranged between $1.47 and $2.15 per British thermal unit.

Last year Statoil lifted pretax profits by 21 per cent to NKr12bn ($1.6bn) from NKr9.9bn in 1992.

Pharmacia seeks buyer for unit

Pharmacia, the majority state-owned Swedish pharmaceutical group, is seeking a buyer for Pharmacia Deltec, a wholly-owned US subsidiary manufacturing home drug delivery systems, writes Hugh Carnegy in Stockholm.

Pharmacia, due to be fully privatised this year, said the sale was in line with its strategy of focusing on selected product areas.

Pharmacia Deltec had sales of about $100m and was a world leader in ambulatory infusion pumps, it said.

Hollinger floats parts of N American titles

By Bernard Simon in Toronto

Hollinger, the publishing group controlled by Telegraph proprietor Mr Conrad Black, is to offer minority stakes to the public in its US and Canadian newspaper chains.

Hollinger expects to raise between C$30 and C$40m (US$22.2m-29.6m) from a share issue by UniMedia, a wholly-owned subsidiary which publishes about 15 French-language newspapers in Quebec, and a number of North American and European religious titles.

Once it goes public, UniMedia will also take over nine English-language papers, mostly in British Columbia, published by Vancouver-based Sterling Newspapers.

American Publishing, which owns about 230 small-town US daily and weekly papers, has also filed a preliminary prospectus for a public share offering. The terms of the issue, including the amount to be raised, are likely to be decided within the next few months.

Mr Jack Boultbee, Hollinger's vice-president for finance, said yesterday: "We don't need the money, but we think it's a good idea to get these companies public when the markets are good."

He said the infusion of outside equity should also help boost Hollinger's share price. The shares climbed 25 cents on the Toronto stock exchange yesterday morning, to C$14.25.

UniMedia and Sterling had combined sales of C$108m in 1992, while American Publishing's sales were about C$180m. Hollinger said UniMedia would become its "preferred" vehicle for the acquisition or start-up of newspapers in Canada.

Proceeds from the share issue will be used to expand printing and production facilities, and repay inter-company loans.

Separately, a labour dispute threatens to shut down two Vancouver dailies owned by Southam, the Toronto-based newspaper group in which Hollinger and the Telegraph each have a 9.4 per cent interest.

Southam management and unions representing about 1,300 workers have filed lock-out and strike notices respectively after a mediator failed to settle the dispute. The unions want assurances that jobs will not be lost to contractors or through the sale of divisions.

The Limited falls 20% to $196m in final quarter

By Richard Tomkins

The Limited, the US clothing retailer that has been struggling to counter poor sales of women's fashions, reported a 20 per cent fall in net profits to $196m from $244m for its fourth quarter.

Turnover rose to $2.4bn from $2.3bn, partly because Victoria's Secret and other specialty retailing subsidiaries did well and partly because the group opened more stores.

However, this was not enough to outweigh the sharp decline in profit margins at the group's The Limited and Lerner New York chains. Earnings per share fell to 54 cents from 67 cents.

The final quarter's poor performance produced a decline for the full year, pulling net income down to $391m from $455m and earnings per share to $1.08 from $1.25 – although turnover rose to $7.2bn from $6.7bn.

The Limited said it added 198 stores last year and 1.57m sq ft of selling space.

Strong gains at Newbridge Networks

By Robert Gibbens in Montreal

Newbridge Networks, a fast-growing Ottawa digital transmission equipment maker, more than doubled third-quarter profit and said demand continued to be strong.

Third-quarter net profit, which was better than expected, rose to C$41.4m (US$31.4m), or 52 cents a share, up from C$17.7m, or 24 cents, a year earlier, on sales of C$145m, up 73 per cent.

Nine-month profit advanced to C$110.5m, or C$1.39, from C$34.5m, or 48 cents, on revenues of C$388m, a leap of 88 per cent.

● Teleglobe, Canada's overseas telecommunications utility, earned C$75.5m, or C$1.20 a share, in 1993, against a loss of C$50.6m, or C$1.19, after special charges in 1992. Revenues were C$1.4bn, up 18 per cent. International telephone traffic gained 12.5 per cent in 1993.

Campbell Soup back in the black

By Richard Tomkins in New York

New products and acquisitions helped Campbell Soup, the US soup and food company, report a sharp swing from net losses of $131m last time to net profits of $203m for its second quarter ended January 30.

The previous year's figure was hit by a restructuring charge of $353m before tax, but Campbell said net profits in the latest quarter would still have shown a 13 per cent increase without the charge.

Earnings a share were a record 81 cents, compared with 71 cents before the restructuring charge last time or losses a share of 48 cents after the charge.

For the half year, net earnings were $369m, a 12 per cent increase on the previous year's figure before restructuring and accounting charges.

In the US, a new advertising campaign helped lift soup sales in the second quarter, although shipments to the trade were down by 3 per cent because of heavy promotional activity in the comparable quarter.

Biscuit and bakery sales rose 48 per cent, largely because Campbell bought majority control of Arnotts, Australia's leading biscuit maker.

International earnings were boosted by the purchase of the Fray Bentos meat products company last April.

TV sales fail to lift Zenith out of red

By Laurie Morse in Chicago

Zenith Electronics, the struggling US television manufacturer, has reported a fourth-quarter operating loss of $5m, despite strong television sales.

The total fourth-quarter loss, including a previously announced $31m restructuring charge, was $36m, or $1.04 a share, against a net loss of $20.3m, or 67 cents, in last year's fourth quarter.

Fourth-quarter sales fell to $361m compared with $385m in the same quarter last year.

Zenith recorded its fifth consecutive full-year loss, at $97m, or $3.01, against a loss of $105.9m, or $3.59, in 1992. The 1992 figures included restructuring charges of $48m and tax credits of $16m. Full-year sales were little changed at $1.2bn.

The 1993 losses came in the face of a record year for the US television industry, where more than 25m sets were sold. Zenith said dollar sales of colour televisions rose substantially in the fourth quarter.

The company said it expected its latest restructuring to reduce operating costs by about $50m in 1994.

INTERNATIONAL CAPITAL MARKETS

Rate-cut hopes lift gilts as Continental prices fall

By Conner Middelmann in London and Patrick Harverson in New York

UK gilts were the only European government bonds to post gains yesterday. They were boosted by a raft of economic data which indicated that the UK recovery was slowing while inflation pressured remain subdued.

GOVERNMENT BONDS

"People are now gearing up for further rate cuts," said Mr Simon Briscoe, UK economist at S. G. Warburg Securities. "I've heard some people say that the authorities should have waited [until yesterday] and cut the base rate by ½ point," he said in reference to last Tuesday's ¼-point cut.

However, weakness in bond markets across Europe put a lid on the gilts' gains. "I would guess that the good data we've seen in the last three days would normally put about three points on the gilt market," said Mr Briscoe. However, because of weak markets elsewhere, the gilt rally stalled after ½ point.

Nevertheless, he noted that recent high volatility appeared to have eased off in recent days, and this week's "unambiguously good data might just have given the market the lift the Bank needs ahead of next week's gilt auction".

■ Elsewhere, markets continued to weaken as participants grew increasingly gloomy on the chances of a cut in German interest rates at today's Bundesbank council meeting.

Bunds broke technical resistance early, clawed back some losses during the day, but then dropped back sharply towards the close. "Ironically, bunds are being hurt by the bearish sentiment in other markets regarding the prospect of unchanged German rates," said Mr Karl Haeling, head of Deutsche Bank's futures and options group.

Late in the day, the March bund futures contract on Liffe traded at 98.65, down 0.39 point from Tuesday.

■ French bonds ended only slightly lower on the day, with early losses recouped by late short-covering. However, traders warned that prices were likely to fall further if the Bundesbank leaves interest rates unchanged.

The notional bond futures contract on Matif fell 0.02 point to 128.64.

■ The higher-yielding markets took another pounding, with the Italian bond future down more than a point in the morning.

According to Mr Marco Pianelli, southern Europe economist at Nomura Research Institute, these markets have suffered from heavy switching into German bonds, or into cash, amid the prevailing interest-rate uncertainty, and because of their currencies' weakness against the D-Mark.

He said political jitters ahead of next month's Italian elections were less of a factor in the sell-off.

If the Bundesbank leaves rates unchanged today, the high-yielders are likely to fall further, said Mr Pianelli. However, he suggested that "a further sell-off would provide a good buying opportunity", with the Italian 10-year benchmark offering value at between 8.90 and 9 per cent yield.

■ After posting strong gains on Monday and Tuesday, Japanese government bonds fell back as the yen weakened, the stock market stabilised, and supply was boosted by large corporate bond issuance.

"With little data out for the rest of the week, the focus will be on the degree to which the seasonal increase in corporate supply can be absorbed – creating minor downside risk," said analysts at Yamaichi International.

■ US Treasury prices were flat-to-firmer in light trading yesterday morning as dealers and investors awaited today's inflation news.

By midday, the benchmark 30-year government bond was up $\frac{1}{32}$ at $97\frac{15}{32}$, yielding 6.438 per cent. It was buoyed by swap-related demand linked to a large European bond issue. The two-year note was unchanged at $99\frac{7}{32}$, to carry a yield of 4.404 per cent.

The only economic news of the morning – a 17.6 per cent decline in January housing starts – had little impact. This was because the data were distorted by the impact of the harsh winter storms in parts of the US during the month.

The lack of reaction was also attributed to caution among market participants about trading actively before today's release of the January consumer prices index. Analysts expect a 0.3 per cent rise in the CPI.

However, investors believe that if the increase is significantly larger, the Federal Reserve might decide to put up interest rates again.

US derivatives regulator acts on risk assessment

By Laurie Morse in Chicago

The Commodity Futures Trading Commission, the primary derivatives regulator in the US, is rushing to write new rules allowing it to examine the books of parent companies with derivatives-dealing subsidiaries.

Although Congress gave the agency the powers to write holding company risk assessment rules in 1992, the CFTC delayed enacting them. That delay proved costly in January, when US subsidiaries of German industrial conglomerate Metallgesellschaft faced large margin calls on the New York Mercantile Exchange as oil futures and swaps positions went sour.

High-level CFTC officials say they were hampered in discovering the risk MG Corp's positions presented to the Nymex clearing house because the agency lacked the means to demand full disclosure of the over-the-counter swaps positions. The situation was further exacerbated because MG Corp's credit had been guaranteed by its German parent, whose books also proved inaccessible to the CFTC.

The CFTC is now pushing holding company risk assessment rules into law. The agency will hold a public hearing on the rules in Washington on February 23, and hopes to publish the rule proposal in the Federal Register soon after.

The CFTC is often criticised for being ineffective. Industry attorneys say the agency may have avoided promulgating the risk assessment rules for fear of ruffling its futures broking consistency. However, a CFTC official said the rule-making was not a priority, as the agency could use the Security and Exchange Commission's year-old risk assessment powers in most cases.

EIB braves saturated sector with $500m offering

By Antonia Sharpe

Only the most prestigious borrowers were brave enough to launch offerings in the increasingly saturated Eurobond market yesterday.

The European Investment Bank raised $500m through a widely-expected offering of 10-year Eurobonds, and the ambitious pricing of eight basis points over the yield on US Treasuries reflected the intense competition for the mandate.

INTERNATIONAL BONDS

Bidding on the delayed-rate settlement, a mechanism favoured by the EIB to protect itself against changes in interest rates before it on-lends the proceeds of the issue, was also said to be fierce.

An official at lead manager SG Warburg said demand for the bonds had been stronger in eastern Asia than in Europe, where investors were more sensitive to yield spreads. He said when the bonds were freed to trade, the spread widened to nine basis points, though other dealers reported that the bonds were quoted at a yield spread of 10 basis points.

The market will watch the performance of the EIB's deal in the secondary market: the spread on the bonds, which some believe could widen to between 12 and 15 basis points, is likely to influence the pricing of the forthcoming offerings of 10-year dollar-denominated global bonds.

The continued recovery in the UK government bond market prompted Kreditanstalt für Wiederaufbau (KfW), the triple-A-rated German government agency for redevelopment, to raise £200m through an offering of 10-year Eurobonds.

Dealers said the yield spread at launch, of 10 basis points over gilts, was fair in the light of outstanding 10-year sterling-denominated Eurobonds by other top-quality issuers. KfW's bonds also offered investors an alternative to the recent supply of long-dated issues by financial institutions.

Lead manager JP Morgan said the recent underperformance of gilts compared with German government bonds made KfW's bonds attractive to investors in eastern Asia and Europe. When the bonds were freed to trade, the spread widened to around 11 basis points, according to JP Morgan. However, other dealers said that, considering the short first coupon, the spread was closer to 14 basis points.

Elsewhere, the return of SE-Banken to the Yankee market – the US domestic market for foreign issuers – for the first time since May 1992 gave the market a clear signal that investors were comfortable once again with Nordic issuers, now that they had dealt with most of their financial woes.

The fact that SE-Banken was able to raise $200m through an issue of 15-year subordinated bonds, at a yield spread of 108 basis points over US Treasuries, was taken as further evidence that the turnround was almost complete.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
European Investment Bank	500	6.00	99.782R	Mar.2004	0.325R	+8 (5⅞%-04)	SG Warburg Securities
Walt Disney Company(a)	400	(b)#	(b)	Mar.2001	undiscl.	-	Citibank/CS First Boston
Crédit Commercial de France‡	100	(c)	100.00R	Mar.2004	0.50R	-	Kidder Peabody Intl.
IRSA	50	(d)#	(d)R	Mar.1999	1.00R	(d)	Smith Barney Shearson
STERLING							
KfW International Finance	200	6.625	99.10R	Nov.2004	0.325R	+10 (6¾%-04)	JP Morgan Securities
FRENCH FRANCS							
Compagnie Générale des Eaux	2bn	6.25	99.135R	Mar.2004	0.425R	+42 (5½%-04)	Société Générale
Crédit Local de France(e)	1.5bn	6.25	100.764R	Sep.2005	0.35R	+23 (8½%-04)	CCF
AUSTRALIAN DOLLARS							
Mobil Australia Finance	100	6.625	99.66R	Mar.2001	0.325R	+17 (f)	Morgan Stanley Intl.
Toyota Finance Australia	100	5.50	100.15	Apr.1997	1.50	-	Hambros Bank
SWISS FRANCS							
Hilti(g)ф	100	2.00	100.00	Mar.2002	-	-	Credit Suisse
Eurovia★‡	80.75	(h)	100.40	Mar.1996	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. фWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Potential to participate in profits from portfolio of films. b) Priced in week of Feb.28th at 7yr Treasuries less 200bp. c) 6-mth Libor -¼%; min 5¼%, max 10%. d) Priced today at 370-380bp over Treasuries. e) Fungible with outstanding FFr1.5bn. Plus 164 days accrued. f) Over interpolated yield. g) Denom: SFr5,000 +20 3-yr wrts. 4 wrts to Hilti participation bearer at SFr1,015. h) 6-mth Libor +⅛%.

SHL Systemhouse in C$109m share issue

By Robert Gibbens in Montreal

SHL Systemhouse, a large Ottawa-based international computer service outsourcer, is raising C$109m (US$80.7m) with an issue of 14.4m new shares at C$7.85 a share.

About 10 per cent of the issue is being taken up by Warburg Pincus Investors, the New York investment group.

Proceeds are being used to repay debt and bolster working capital. SHL recently won several large capital-intensive outsourcing projects.

● Hydro-Quebec, one of Canada's largest power utilities, plans to begin a US$1bn Euro medium-term note programme with maturities of one month or longer.

The notes are expected to be listed on the London Stock Exchange.

Notes denominated in French francs are also expected to be listed on the Paris bourse. Citybank is the issuing and principal paying agent. The programme has an A1 Moody's rating and an A-plus from Standard & Poor's.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	120.8000	-0.010	6.30	6.34	6.27
Belgium		7.250	04/04	103.5800	-0.440	6.75	6.60	6.57
Canada *		6.500	06/04	98.7500	-0.550	6.67	6.64	6.37
Denmark		7.000	12/04	104.9700	-0.330	6.35	6.16	5.93
France	STAN	8.000	05/98	109.0700	-0.420	5.52	5.35	5.05
	OAT	5.500	04/04	96.6000	-0.120	5.95	5.90	5.64
Germany		6.000	09/03	100.8100	-0.430	5.88	5.83	5.62
Italy		8.500	01/04	99.0000	-0.220	8.65†	8.42	8.36
Japan	No 119	4.800	06/99	108.4880	+0.450	2.98	3.14	2.72
	No 157	4.500	06/03	107.9450	-0.460	3.38	3.43	3.37
Netherlands		6.750	01/04	99.0000	-0.350	5.88	5.79	5.60
Spain		10.500	10/03	115.0500	-0.450	8.18	7.91	7.86
UK Gilts		9.750	01/98	112-31	+3/32	5.95	5.92	5.62
		6.750	11/04	101-18	+9/32	6.52	6.56	6.06
		9.000	10/08	119-31	+10/32	6.83	6.84	6.43
US Treasury *		5.875	02/04	100-00	+1/32	5.88	5.98	5.72
		6.250	08/23	97-15	+5/32	6.44	6.44	6.29
ECU (French Govt)		6.000	04/04	98.5400	-0.100	6.19	6.19	5.90

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates

Prime rate	6
Broker loan rate	5
Fed.funds	3⅛
Fed.funds at intervention	3⅛

Treasury Bills and Bond Yields

One month	3.17	Three year	4.80
Two month	3.24	Five year	5.33
Three month	3.34	10-year	5.87
Six month	3.53	30-year	6.45
One year	3.85		
Two year	4.40		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	128.74	128.64	-0.02	128.74	128.34	229,550	162,011
Jun	128.32	128.26	-	128.32	127.96	2,690	22,386
Sep	127.58	127.52	-	127.58	127.30	437	6,637

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
128	0.87	1.35	-	0.25	1.14	1.89
129	0.26	0.87	1.01	0.65	-	-
130	0.04	0.56	0.70	1.42	-	-
131	0.01	0.30	-	-	-	-
132	-	0.16	-	-	-	-

Est. vol. total, Calls 38,292 Puts 67,446 . Previous day's open int., Calls 343,296 Puts 332,279.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.03	98.69	-0.36	99.15	98.62	198844	195117
Jun	98.91	98.56	-0.37	99.00	98.50	2475	13406

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9850	0.40	0.98	0.22	0.82
9900	0.17	0.74	0.49	1.18
9950	0.07	0.55	0.89	1.49

Est. vol. total, Calls 17424 Puts 28490. Previous day's open int., Calls 301486 Puts 238694

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102.25	102.00	-0.23	102.25	101.97	1292	9390

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.40	115.42	-0.94	116.40	115.11	110537	91792
Jun	116.30	115.63	-0.96	116.36	115.40	2361	9848

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11500	0.66	2.54	0.24	1.91
11550	0.37	2.28	0.45	2.15
11600	0.19	2.03	0.77	2.40

Est. vol. total, Calls 6336 Puts 21630. Previous day's open int., Calls 53834 Puts 63972

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	104.75	104.45	-0.54	104.79	104.41	82,698	115,529
Jun	104.60	104.39	-0.81	104.80	104.20	797	11,602

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115-27	116-06	+0-10	116-14	115-21	115512	151696
Jun	115-01	115-13	+0-09	115-20	115-00	5399	6890

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
116	0-35	1-35	0-23	2-09
117	0-11	1-10	0-63	2-46
118	0-03	0-53	1-55	3-27

Est. vol. total, Calls 10282 Puts 9850. Previous day's open int., Calls 134855 Puts 79884

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.06	120.00	-0.06	120.08	119.76	2,281	14,380
Jun	95.00	95.10	-0.06	95.00	95.00	126	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	114-21	114-27	+0-05	114-28	114-20	299,429	307,755
Jun	113-19	113-26	+0-05	113-27	113-17	5,369	40,141
Sep	112-27	112-28	+0-03	112-28	112-27	1,006	34,182

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	[illegible]			[illegible]	[illegible]	[illegible]	0
Jun	[illegible]			[illegible]	[illegible]	[illegible]	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Feb 16	Day's change %	Tue Feb 15	Accrued interest	xd adj. ytd		Low coupon yield Feb 16	Feb 15	Yr. ago	Medium coupon yield Feb 16	Feb 15	Yr. ago	High coupon yield Feb 16	Feb 15	Yr. ago
1 Up to 5 years (25)	128.77	+0.03	128.73	2.10	1.23	5 yrs	5.95	5.96	6.38	6.19	6.22	6.98	6.28	6.32	7.16
2 5-15 years (21)	158.66	+0.29	158.20	1.76	2.14	15 yrs	6.73	6.78	7.84	6.81	6.85	8.38	7.01	7.05	8.63
3 Over 15 years (8)	182.90	+0.40	182.83	1.09	2.46	20 yrs	6.83	6.87	8.17	6.82	6.86	8.53	7.02	7.06	8.71
4 Irredeemables (6)	218.71	+0.40	217.84	3.12	0.00	Irred.†	6.92	6.94	8.64						
5 All stocks (60)	153.92	+0.23	153.57	1.81	1.86										

Index-linked							Inflation 5% Feb 16	Feb 15	Yr. ago	Inflation 10% Feb 16	Feb 15	Yr. ago
6 Up to 5 years (2)	189.63	+0.02	189.59	0.48	1.41	Up to 5 yrs	2.13	2.42	1.95	1.19	1.61	1.06
7 Over 5 years (11)	188.37	-0.06	188.48	0.62	0.79	Over 5 yrs	3.03	3.08	3.53	2.84	2.92	3.33
8 All stocks (13)	187.57	-0.05	187.67	0.60	0.85							

Debentures and Loans						5 year yield Feb 16	Feb 15	Yr. ago	15 year yield Feb 16	Feb 15	Yr. ago	25 year yield Feb 16	Feb 15	Yr. ago
9 Debs & Loans (69)	153.64	+0.25	153.26	2.18	1.66	7.70	7.75	8.65	7.82	7.85	9.47	7.90	7.92	9.68

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 16	Feb 15	Feb 14	Feb 11	Feb 10	Yr ago	High*	Low*
Govt. Secs. (UK)	104.21	103.85	103.98	103.92	104.18	96.00	107.60	93.28
Fixed Interest	128.10	127.77	128.11	128.30	128.36	111.75	133.87	108.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 15	Feb 14	Feb 11	Feb 10	Feb 9
Gilt Edged bargains	99.8	100.5	127.2	122.0	127.4
5-day average	114.2	122.4	126.7	131.6	131.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅛	100⅜		6.48
AlbertaProvince 9⅝ 95	600	107⅝	108		4.57
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7⅛ 97	5500	105½	105⅝	-⅛	5.43
Volkswagen Intl Fin 7 03	1000	102½	103		6.62
World Bank 0 15	2000	27⅝	27⅞	-⅛	6.07
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Alliance Leics 11⅞ 97 £	100	114⅝	115⅛		6.21
British Gas 12¾ 95 £	300	107¼	107⅝	+⅛	5.07
British Land 8⅞ 23 £	150	102⅞	103⅜	+⅛	8.79
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Bingo side helps Vardon more than double to £5m

By David Wighton

Trevor Humphries

Nick Irens: seeing good growth in spending per customer

Vardon, the fast-growing leisure group which owns the London Dungeon, more than doubled pre-tax profits, from £2.16m to £5.13m, over 1993.

The figures were boosted by a seven month contribution from the 10 bingo clubs which it acquired for £6.7m in May, funded by a £13.4m share issue.

Earnings per share jumped to 5.6p (3.5p) and a final dividend of 0.825p increases the total to 1.125p (0.75p).

Mr Nick Irens, chief executive, said the results had been achieved with "very little help" from the economy but that it had detected "glimmers" of recovery in recent months.

In contrast to recent comments from First Leisure, where Mr Irens used to be finance director, Vardon was seeing good growth in spending per customer, in addition to more modest growth in attendances.

He also pointed out that its Sea Life attraction in Blackpool had a record year while most operators in the resort, including First Leisure, had reported "a dismal summer".

The attractions division, which now includes 13 Sea Life centres, a Cornish seal sanctuary and the London and York Dungeons, saw operating profits jump by 53 per cent to £5.3m while turnover rose from £9.73m to £14m. On a like for like basis, visitor numbers were up 3 per cent while revenue expanded by 11 per cent.

Mr Irens said:"We were absolutely delighted with the performance of the existing operations and the performance of the new development was well ahead of expectations."

In June, Vardon opened a Sea Life centre at Scheveningen in the Netherlands, its first outside the UK, and Mr Irens said the attendance levels were particularly exciting. "They give us considerable encouragement and confidence for future expansion of the Sea Life concept in continental Europe."

New centres at Newquay and Tynemouth will open this summer and Vardon plans to open a further three next year, one of which will be in northern Europe.

In the bingo division, which in seven months contributed £720,000 to operating profits on turnover of £5.4m, Vardon opened a new 1,700 capacity club in Southampton in September with another in Coventry due to open in May.

Excluding acquisitions, capital investment is expected to rise to £12m (£8.8m), which would leave it with gearing of about 15 per cent.

● **COMMENT**

These results explain the heady rise in Vardon's share price which has more than trebled since Mr Irens and chairman Mr David Hudd floated the company less than two years ago. Through well-timed and keenly priced acquisitions they have built two highly cash generative businesses which both produce healthy returns from new investment. The early results from new openings, particularly the Dutch Sea Life Centre, show the scope for organic growth and the management "remain alive to opportunities" in other areas. Assuming no further deals, profits should reach £7m this year which puts the shares on a multiple of about 20. A premium rating but Vardon still has its attractions.

Drugs cuts lead to unhealthy figures

Daniel Green reports on the forthcoming results from pharmaceutical companies

This year's round of pharmaceutical company results will be the first to show the effects of a full year of healthcare reforms in Germany, one of the world's biggest markets.

Germany cut its drug spending at the start of 1993 and sales there have, on early indications, fallen by about 10 per cent.

These reforms, as well as those more recently in the UK, Italy, France and Japan, and those planned in the US, have depressed drug company share prices.

Investors fear that government efforts to cut health spending budgets by concentrating on limiting the drugs bill will slow profits growth.

Drug companies are already busy trimming costs. But they have not moved fast enough to have prevented the drugs sector becoming one of the worst performers in the stock market.

Share prices have underperformed the rest of the market by so much that investors are now in the unusual position of evaluating their portfolios on the basis of dividend yield rather than capital growth, as has been the case for more than a decade.

This means that what happens to the dividend pay-outs in the results season is at least as important as the pre-tax profits figures.

At Glaxo, where first half results are released today, the dividend is likely to rise to between 8p and 9p, compared with 7p a year ago.

The company has a policy of paying a much higher final dividend, forecast by stockbroker Goldman Sachs to be 25p this year, giving a yield of well over 4 per cent.

The range of forecasts for pre-tax profits is from just over £900m to about £970m.

Shareholders are also likely to hear comments from Sir Richard Sykes, chief executive, on speculation that the company will form an alliance with Pfizer, the US drugs company. The two have had talks on collaboration ahead of the implementation of the Clinton administration's healthcare reforms. Sir Richard may also indicate how talks are going with other companies, including those at the distribution end of the business.

Developments in the US will also be picked over in any statement from SmithKline Beecham, whose full-year figures are due on February 22.

Tagamet, the ulcer treatment that was once the world's biggest selling drug, loses US patent protection in May. The company's share price is already sensitive to indications of the speed of the sales decline and of how fast sales of an over-the-counter version will grow.

SB's pre-tax profits are expected at about £1.22bn, compared with £1.12bn and the dividend rise should be about 1.8p to 10.4p, giving a gross yield of more than 3 per cent.

Zeneca will on March 3 reveal its first set of full-year figures since its demerger from ICI last summer. The company should show it has made at least £600m pre-tax. At the time of the demerger it indicated that it would pay a dividend of 27.5p. This would give a gross yield of about 4.5 per cent.

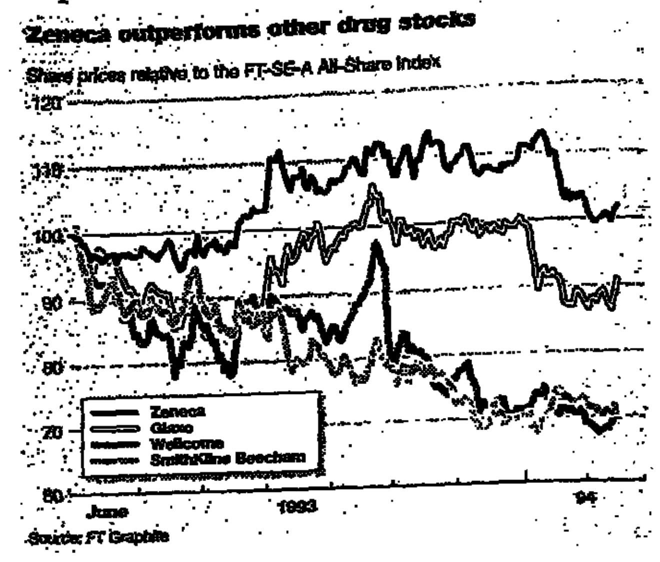
Within the figures, there will be much interest over whether the rapid growth of Zestril, a heart treatment, can be maintained. The drug should be close to becoming the company's biggest selling product; and the company's debt level should be coming down quickly as it cuts costs.

Fisons' results on March 8 should show that pre-tax profits have slumped to zero in accordance with the company's profits warning which accompanied the departure of Mr Cedric Scroggs, the chief executive, in December 1993.

The company is yet to appoint a new finance director or chief executive. Indications that there has been progress on either search should bolster the share price.

Zeneca outperforms other drug stocks

Share prices relative to the FT-SE-A All-Share Index



Source: FT Graphite

At Wellcome, where interim results are due on March 24, a cash pile of about £600m provides a useful cushion against the difficulties the company is having with its anti-Aids drug, Retrovir.

Recent drugs trials suggest that Retrovir should not be used in patients that do not show symptoms of Aids even though they are infected with the HIV virus. The publication of further trial results is likely before the company's results are published.

The company's biggest selling drug, anti-viral Zovirax, should once again be a star performer. Competition for Zovirax is emerging for the first time in the shape of SmithKline Beecham's Famvir, but this will not affect 1993 figures.

Pre-tax profits at Wellcome are expected by broker James Capel to rise by 12 per cent to £360m (£325m).

BAT unit estimates earthquake claims

By Richard Lapper

Farmers Group, the US insurance subsidiary of BAT Industries, expects its exchanges to receive preliminary claims of about £400m from the California earthquake last month.

However, BAT said yesterday that "a substantial proportion" of this could be recovered from "reinsurance arrangements.

"While the earthquake losses are significant, the exchanges have more than ample liquid resources to pay claims without disrupting their investment portfolio.

Moreover, the claims will have no effect on BAT's reported profits, since the underwriting losses only affect the exchanges. Farmers' earns fee income for various insurance services sold to the exchanges.

Farmers has received 27,000 separate reports of loss and expects to pay about 13,500 claims, with its personal (home and motor) and commercial business equally affected.

BAT said fewer than one third of its customers buy earthquake insurance, which is perceived as expensive. All policies carry substantial deductibles.

County Smaller Cos seeks £35m and plans name change

By Bethan Hutton

County Smaller Companies Investment Trust is to raise more than £35m through a placing and open offer of conversion shares and change its name to NatWest Smaller Companies Investment Trust.

Qualifying share and warrant holders will be entitled to buy three C shares at 125p for every two ordinary shares or warrants already held. On conversion, one warrant will be issued for every five new ordinary shares.

The placing and offer has been underwritten by UBS.

Dealings in the C shares are expected to start on March 18, and conversion will take place by July 28.

The trust is managed by NatWest Investment Management, formerly known as County NatWest Investment Management.

The proposed name change is intended to reflect this.

Results for the period from July 1 to December 31 showed the trust's net asset value per share ahead to 116.65p, an increase of 15.8 per cent.

Earnings per share rose from 1.06p to 1.45p.

The board has declared an unchanged interim dividend of 1.125p, as the portfolio is being weighted towards stocks with higher growth prospects but lower yields.

Write-off cuts Benson to £65,000

Pre-tax profits of Benson Group, the Wolverhampton-based engineer, fell from £817,000 to £65,000 in the six months to November 30.

The outcome came on turnover up from £12.5m to £12.6m and was after interest payable of £267,000 (£269,000) and a transfer to reserves of £763,000 to restore goodwill written off in 1989 on an acquisition since disposed of.

Mr Richard Phillips, chairman, said that during the period much had been done to improve the quality of earnings in the group's principal businesses.

Profits at the operating level, at £1.1m, were in line with expectations and just ahead of last year's figure.

Since the period-end the company had formed a joint venture with Siemens – Benson Building Technology Systems – and has acquired Diffusion Environmental Systems from the API Group, he added.

Losses per share came out at 0.04p (0.55p earnings) and the interim dividend is unchanged at 0.1p.

Hanson refinancing plans for Quantum junk bond debt

By Maggie Urry

Hanson yesterday announced plans to complete the refinancing of Quantum Chemical Corporation's $2.35bn (£1.6bn) of junk bond debt.

Hanson, the Anglo-American conglomerate, acquired Quantum on September 30 last year, the final day of its financial year. The purchase price of $3.4bn included taking on $2.6bn of debt.

Hanson is to redeem three bond issues on March 15 with a total of $900m outstanding, which were paying an average interest rate of 11.4 per cent. It has already redeemed $1.15bn of bonds at the end of October last year and bought $300m of bonds in the market. Altogether this debt bore an average rate of 11 per cent.

Mr Martin Taylor, vice-chairman, said the group would refinance this debt at about half that interest rate, through a variety of markets. Hanson shares rose 4p to 287½p yesterday.

When Hanson bought Quantum it said refinancing the debt would save $125m a year in interest. At the time of the acquisition it made a provision of £132m to cover the redemption costs, which included the difference between the actual interest being paid and the rate Hanson would normally pay on its debt. Thus the high interest cost of Quantum's debt was not responsible for the £37m swing to interest payable in Hanson's first quarter results announced on Tuesday.

As well as refinancing the debt, Hanson has taken action to cut costs at Quantum. It closed the New York corporate office and Quantum's three oldest polymer reactors. It has separated the two sides of the business, polyethylene and Suburban Propane, which now report independently into Hanson Industries, Hanson's US head company.

Control Techs order book ahead

Mr Trevor Wheatley, chairman of Control Techniques, told the annual meeting that the company had witnessed an "encouraging" 12 per cent increase in order bookings during the first quarter.

He said several large orders had been received from the US for delivery in the second half "confirming emergence from recession". Growth in the Asia Pacific division had continued while some parts of Europe were beginning to improve.

The company makes electronic drives and controls. Its shares closed 18p up at 461p.

Near-47% rise in Finsbury Smaller net asset value

A near-47 per cent growth in net asset value per share, from 116.7p to 171.4p, was yesterday reported by Finsbury Smaller Companies Trust for 1993.

The performance outpaced the trust's benchmark – the Hoare Govett Smaller Companies Index – which rose 37 per cent over the same period.

Net revenue for the year amounted to £436,000 (£283,000) for earnings of 3.2p (3p) per share, all of which, following a proposed final dividend of 1.4p, will be distributed to shareholders.

Embassy Property sale nets £1.9m

Embassy Property Group, the USM-quoted development and construction company, said that its share of net proceeds from the sale of its joint venture site in Edmund Street, Birmingham, was £1.92m.

This compares with a book value of the site at March 31 1993 of £1.16m. Total consideration for the sale amounted to £4.25m.

Embassy Property's joint venture partner in the Birmingham site is Five Oaks Investments.

TDG quits Australia and plans expansion of core activities

By Andrew Bolger

Transport Development Group has agreed to sell Transic and its Australian subsidiary companies to Jamison Equity for £21.5m cash.

The proceeds will be used to expand TDG's European activities operating in the core business areas of distribution, storage, transport and hire. The withdrawal from Australia marked a further step in the group's stated objective of being a first choice European logistics group.

The Australian companies are principally engaged in providing storage, distribution and transport services on Australia's eastern and southern seaboards.

Jamison, an Australian company with interests in manufacturing, retailing, private medical services and stevedoring, intends to manage the companies under their present names.

The Australian companies made pre-tax profits of £900,000 before group finance charges in 1992, and had net assets of £20.9m.

● Harris Distribution, a division of TDG, has lost out in its bid for the contract to build and operate a distribution centre for Mars Confectionery. The new facility, which will not be fully operational until late 1995 or early 1996, will replace two Harris warehouses currently dedicated to Mars business, at Elmdon, near Birmingham, and Heywood, near Manchester. The group said contractual arrangements with Mars include compensation for the possible closure of the two warehouses, which have combined annual revenues of about £5.4m.

Pains Fireworks acquisition

Pains Fireworks, the UK's oldest firework company, has acquired Bournemouth-based Nationwide Fireworks and as a result, now claims to be the country's leading firework display company.

Pains said the purchase was a logical move that would bring significant marketing benefits.

Eight displays for the English Philharmonic Orchestra and two other substantial concert displays are among the events that have been added to Pains' 1994 schedule following the acquisition.

Brooke Tool expands in US

Brooke Tool Engineering, the Sheffield-based cutting tools and coil springs company, has, through its Cardinal Cutting Tools offshoot, acquired EG Saws of Chicago from receivers in the state of Illinois.

Consideration for the current assets is $200,000 (£137,000). Cardinal will also pay $158,000 for plant and machinery plus $50,000 deferred for 12 months.

EG, the sole US maker of cut-off saws, incurred pre-tax losses of $123,000 in the nine months to September 30 1993.

Mr John Dashper, Brooke Tool chairman, said: "The US is a major market for our products and having a manufacturing base will allow us to penetrate markets previously not available to us as an importer."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alumasc, Glaxo, Intl Comm & Data, Pantheon Intl Participations.

Finals- Anglo & Overseas Tst, Bank Leumi (UK), English & Overseas Properties, Kleinwort Benson, River & Mercantile Tst, Throgmorton Tst, Veldra, Ward, Wickes.

FUTURE DATES

Interims-	
Goodwin	Feb. 25
Polypipe	Mar. 8
Rame	Mar. 1
SWP	Feb. 28
Sinclair (William)	Mar. 1
Finals-	
Argyll	May 26
Bowthorpe	Mar. 22
Courtaulds Textiles	Mar. 17
Horace Small Apparel	Feb. 25
Lilleshall	Feb. 28
Portals	Mar. 9
United Biscuits	Mar. 17

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Benson Group	int	0.1	Apr 11	0.1	-	0.3
County Smaller	int	1.125	Mar 31	1.125	-	3
Finsbury Smaller	fin	1.4	Apr 27	2	3.2♥	3
Gartmore Emerg	fin	0.17	Apr 26	0.15	0.17	0.15
Leslie Wise	fin	2.25	Apr 14	2.25	4	4
Trust of Prop	fin	1.5785	Apr 8	1.503	1.5785	1.503
Vardon	fin	0.825†	May 6	0.5	1.125	0.75
Yeoman Inv Tst	fin	1.5	Apr 5	nil	13.4	13.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♥Includes special of 0.7p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 17.02.94: Pool purchase price £/MWh	Final Prices for trading on 25.01.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.05	18.09	18.09
0100	53.59	28.22	27.77
0130	18.98	28.22	27.77
0200	53.58	28.22	27.77
0230	18.81	28.22	27.77
0300	18.81	28.22	27.77
0330	18.54	28.22	27.77
0400	17.14	28.22	27.77
0430	17.05	23.18	24.71
0500	16.98	22.70	24.28
0530	17.01	22.72	24.27
0600	17.01	22.72	24.27
0630	17.06	23.00	24.55
0700	19.82	23.00	24.55
0730	19.34	23.71	25.28
0800	19.82	30.79	32.34
0830	19.84	30.79	32.35
0900	19.89	30.79	32.35
0930	19.92	30.79	32.35
1000	19.93	30.79	32.35
1030	19.91	26.29	27.85
1100	19.91	24.77	26.32
1130	19.92	24.77	26.33
1200	39.92	24.77	26.33
1230	39.91	24.77	26.33
1300	19.89	24.77	26.33
1330	17.23	24.12	25.68
1400	17.19	23.93	25.48
1430	17.19	23.28	24.84
1500	17.19	23.28	24.84
1530	17.17	23.28	24.84
1600	17.18	23.34	24.92
1630	17.20	36.36	38.59
1700	17.37	44.57	47.95
1730	20.81	49.08	52.40
1800	28.89	47.17	50.21
1830	28.11	28.91	30.69
1900	28.37	27.32	29.00
1930	27.41	26.95	28.53
2000	20.51	26.73	28.29
2030	20.45	24.39	25.95
2100	20.44	24.39	25.95
2130	20.44	23.76	25.31
2200	19.88	23.28	24.83
2230	17.14	23.28	24.83
2300	16.89	18.05	18.05
2330	16.89	17.95	17.95
2400	16.90	17.95	17.95

Prices are determined for each half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456790 between 9.30am and 5.15pm Monday to Friday.

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Auditors voice disquiet over HunterPrint debt

By Tim Burt

Shares in HunterPrint, the specialist printing group, lost 20 per cent of their value yesterday after its auditors expressed "fundamental uncertainty" over the going concern assumption used in the accounts.

The shares closed down 4p at 16p after BDO Binder Hamlyn said: "The group meets its day to day working capital requirements through its overdraft facility, which at the year end was substantially utilised.

"There is a material level of concern as to the appropriateness of the going concern basis."

In the 12 months to September 26 last year, the group incurred a deficit of £3.2m before tax, compared with a restated loss of £12.2m in 1992.

Despite the apparent improvement, the auditors are understood to have expressed disquiet at the group's growing borrowing requirement.

HunterPrint last year increased its bank overdraft to £8.9m from a restated £3.4m, while at the same maintaining a £6m loan secured against its Corby factory.

Although Barclays, the group's banker, has extended financing facilities to September 30 this year, the loans are repayable on demand.

Mr Geoff Eades, finance director, admitted net borrowings of £17.9m (£9.6m) were higher than expected, but said institutional shareholders *remained fully behind the* group.

He said gearing had exceeded forecast levels because the group spent £6.2m on plant and facilities, including three second-hand presses.

The presses were purchased to ensure capacity for new printing contracts with Associated Newspapers, Mirror Group Newspapers and the Guardian Media Group, worth a combined total of £10m a year.

HunterPrint was also pursuing a cost-cutting programme expected to save £3m, Mr Eades added.

"Wages and salaries have been cut by 10 per cent, and we will be looking for further savings," he said.

Large institutional shareholders, including M&G, Fidelity *and Standard Life, said* yesterday they were aware of the situation and welcomed moves by the group to cut spending.

Pressure at core reins in L Wise

By Tim Burt

Leslie Wise yesterday blamed a flat year-end performance on volatile trading conditions in the retail sector.

Pre-tax profits at the the textile and garment group, which supplies chains such as Burton and Etam, dipped from £2.52m to £2.47m in the year to November 30.

Mr John Gowers, chief executive, said profits had been undermined by an £89,000 exceptional charge to cover legal costs of an aborted takeover bid.

Turnover was virtually unchanged at £49.5m (£48.7m).

Nevertheless, sales in the textile division increased by 6 per cent and operating profits rose by 22 per cent.

The improvement was offset, however, by pressure on margins in the core garment business, due to lower volumes and rising raw material costs.

Operating profit fell to £2.76m (£2.84m). Earnings per share declined to 4.74p (4.96p).

Mr Gowers said that in the current year "we propose to continue to aggressively seek profit growth through increased sales, internal rationalisation and by acquisition or organic growth when appropriate".

The final dividend is held at 2.25p for the second year, to give an unchanged total of 4p.

The shares closed up 3p at 87p.

Alvis expands with Unipower buy

By Andrew Bolger

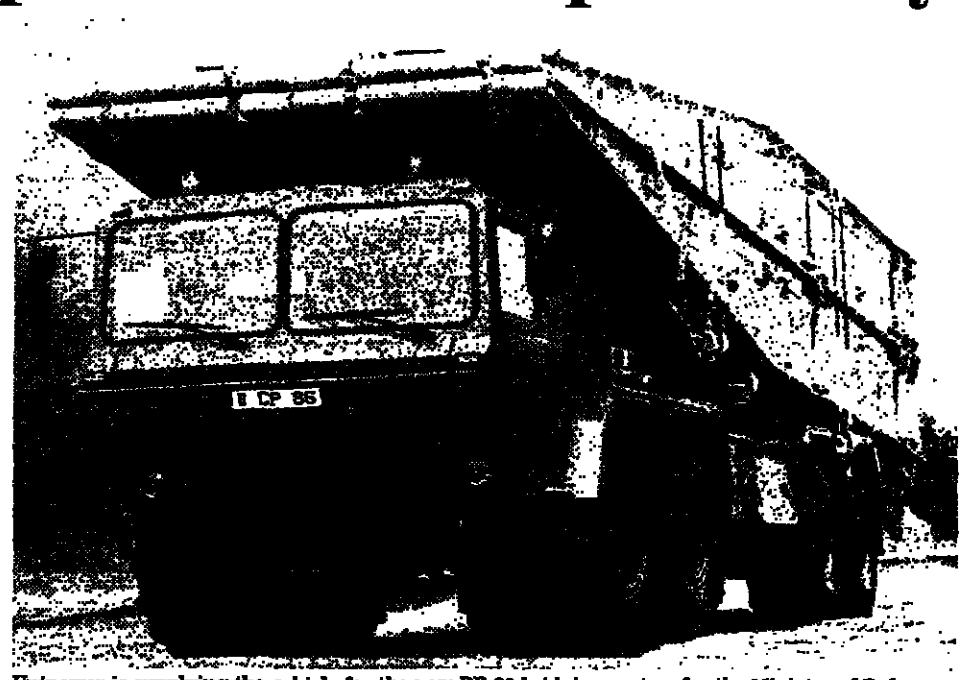
Alvis, the defence contractor, has bought Unipower, the Watford-based manufacturer of specialist vehicles for the military and commercial markets.

Alvis, which makes armoured vehicles, is paying an initial £2m for the loss-making business, which it said had a complementary product range with opportunities for growth in both military and civil markets.

Alvis shares advanced by 9p to 67p.

Under the deal Alvis will also assume Unipower's overdraft of £6m. A further deferred consideration of up to £2m in cash may be payable, depending on orders received.

Mr Nick Prest, chief executive of Alvis, said: "Since the sale of our European electro-optics business in July 1993, we have been looking to expand our specialist engineering interests in the UK."



Unipower is supplying the vehicle for the new BR-90 bridging system for the Ministry of Defence

Unipower bought some of the assets of the former Scammell division of Leyland trucks in 1988 from the Rover Group, and its main products are in the Scammell tradition.

In November, the company won a £22.5m contract from a subsidiary of Rolls-Royce to supply the vehicle for the new BR-90 bridging system for the Ministry of Defence. Alvis said yesterday the UK had historically been a world leader in military bridging, and the BR-90 system had good export prospects.

Unipower made an operating profit of £689,789 on sales of £15.2m in the 13 months to April 1992. Since then overheads had been maintained in anticipation of the BR-90 contract, which was continually delayed. This caused substantial losses and by November 30 the deficit on shareholders' funds was estimated at £2.4m.

Unipower, which employs 95 people, also has a 70 per cent-owned subsidiary, Automotive Export Supplies, which principally distributes Land Rovers to Africa, paid for by aid agencies. AES has an order book of £2.8m and is trading profitably.

Alvis said Unipower was expected to return to profitability soon, with the benefit of the BR-90 contract. The acquisition was expected to have a neutral impact on earnings in the current year to September, but would enhance earnings in the following year.

Herald raises £65m via placing

By Bethan Hutton

Herald Investment Trust, a new fund specialising in small media and communications companies, has raised £65m through a placing.

The issue was up to 50 per cent oversubscribed after the size of the fund was capped to allow manageable investment within its stated objectives.

The trust is to be managed by Ms Katie Potts, a former *electronics analyst at SG War*burg, now at Rutherford Asset Management. The company is best known for its Pilot Investment Trust, which specialises in very small companies with market capitalisations under £30m.

The new trust will invest in companies with market capitalisations of less than £300m in the information technology, software, broadcasting, printing and publishing fields.

Dealings in ordinary shares and warrants – attached on a 1-for-5 basis – are expected to start on Monday.

Trencherwood returns to the black with £1.8m

By Simon Davies

Trencherwood, the Newbury-based housebuilder, returned to the black in the 12 months to October 31 after three years of losses.

The company continued to suffer operating losses before exceptional items in 1993, but management is confident that 1994 will be a turnround year, with significant improvements in profit margins and sales volumes.

Pre-tax profits amounted to £1.8m, compared with losses of £21.4m, but the latest figure included a £1.9m write-back of provisions and a £1.24m profit from the sale of a subsidiary.

Turnover declined to £15.3m (£18.9m), but the cost of sales fell 30 per cent to £12.8m because of a cut in incentives to house purchasers and a fall in construction costs.

The number of units sold increased by 14 per cent to 188, and Mr Richard Brooke, finance director, said the company was targeting a 25 per cent increase in unit sales during the current year.

He was confident that the cost of sales would not increase during 1994 because of forward pricing for contractors and continuing overhangs in building material supplies.

In addition, house prices increased by an estimated 5-6 per cent last year and Mr Brooke expected similar increases during the current year.

Trencherwood went through a radical refinancing in early 1993, swapping £35m in bank debt and claims into equity. At the year end it still had net *debt of £26m, despite receiving* proceeds from the sale of an associate property development to J Sainsbury for an undisclosed sum.

The company is continuing to sell land outside its core area of Berkshire. It disposed of £1.9m of land last year and plans to reduce further its exposure to commercial property development.

During 1993 Trencherwood bought £2.3m of new land and at October 31 had a land bank comprising 6,912 plots, of which 1,500 had planning permission.

Earnings per share amounted to 3.45p basic and 1.88p fully diluted, compared with losses of 83.1p. The company is not proposing a dividend.

Trifast up 15p on offer price

In first day dealings, shares of Trifast, the Sussex-based industrial fastener group, closed at 215p – a 15p premium over the offer price.

Some 7.87m shares were placed by James Capel raising £15.7m, of which £12.2m went to Mr Mike Timms and Mr Mike Roberts, the founders who retain a 40 per cent stake in the company.

Trifast is expecting pre-tax profits of not less than £2.55m for the year to March 31. That would compare with £1.98m for 1992-93.

Mr Malcolm Diamond, managing director, said he was "delighted" with the take-up of the shares. He added that the listing was another step in the development of Trifast, which was looking for expansion both organically and by acquisition in the UK and abroad.

To restructure and not expand

Tim Burt looks at the changing nature of M&A activity

Tracking takeover activity is an inexact science. Sheraton's surprise £353m bid last week for Ciga, the Italian hotels group, has bucked the trend in the hotel *sector just when analysts* were predicting a quiet period for mergers and acquisitions.

Such unexpected bids can undermine thousands of man hours invested by leading merchant banks and accountancy firms to spot markets where companies are ripe for the picking.

In the automotive sector, for example, forecasts of declining takeover activity have been overtaken by BMW's agreed £800m takeover of Rover Group.

Faced with increasingly unpredictable boardroom moves, merchant banks and accountants have this year begun to concentrate on the geography of takeover activity rather than the industries involved.

The consensus emerging in the City points to a sharp increase in joint venture deals and equity purchases in the North American and newly emerging markets.

In the US, ratification of the North American Free Trade Agreement and renewed confidence following the first year of the Clinton administration attracted a wave of new investors who bought equity stakes worth more than $34bn (£23bn) compared with $13.7bn in 1992.

US companies, meanwhile, spent almost $40bn on overseas joint ventures and partial acquisitions, up from $22.5bn the year before.

Of the developing markets, KPMG says China emerged last year as the prize target with overseas companies investing *$15.2bn, up from $5.2bn, in* joint ventures and equity acquisitions.

In Europe, however, activity slowed. The accountancy firm's figures on EU activity put the value of equity stakes sold off at $41.3bn, compared with $57.3bn in 1992.

Outright disposals fell more sharply, down from $42.3bn to $23bn.

An even gloomier picture has been painted by Translink, the M&A adviser. It said the total value of cross-border deals was at its lowest level for five years despite a small increase in the number of transactions completed.

After stripping out the negative effects in Europe of recession and uncertainty over Maastricht and the appeal of investing in emerging market such as China, City bankers and accountants believe M&A activity is undergoing a long-term structural upheaval.

They say fewer companies can now afford outright *acquisitions*, especially financed by borrowing, and there had been a marked shift to lesser equity purchases and joint venture deals.

Mr Richard Agutter, senior partner at KPMG, says: "Some companies feel that 100 per cent acquisitions should be avoided."

He cites British Telecommunications's decision to take a 20 per cent stake in MCI of the US as an example of this piecemeal strategy.

"Companies are being more *cautious – it is no longer a* case of simply asking themselves whether they have the money to afford the deal but whether they should be considering the deal in the first place," he adds.

His view is echoed by corporate finance directors at merchant banks such as SG Warburg, Morgan Grenfell and Schroders.

Mapping the trends for 1994, they share a common belief that M&A activity is being fuelled by the need to restructure rather than the need to expand.

According to Mr Piers von Simson, head of corporate finance at SG Warburg, such needs forced BAe to sign a deal enabling it to focus on core defence and aerospace activities, while also securing for BMW an alternative supply of cars and components at lower unit costs than in Germany.

Further deals, he predicts, will take place as companies come "under pressure to create shareholder value by selling *non-core divisions.*"

According to Mr Guy Dawson, his counterpart at Morgan Grenfell, disposals of such businesses will lead to increased activity in most sectors, particularly in telecommunications, defence and the motor industry.

Yet the busiest sectors appear to be non-manufacturing sectors, with oil and gas and utilities leading the league table of cross-border deals.

The growth of these two sectors has been attributed to new *opportunities in developing* markets which were previously closed or where overseas investors faced prohibitive tariffs.

At Schroders, meanwhile, Mr Richard Broadbent, director of investment banking, says future activity in such industries will be dominated by large corporate players trying to win a commanding position in their particular sectors.

"Companies are looking five years ahead and planning acquisition and disposals now to streamline their businesses for the next century," he adds.

The merchant banks claim companies have learned – often the hard way after making costly non-core acquisitions in the 1980s – that there are no economies of scale in further diversity.

Their corporate finance directors are agreed: restructuring will prompt fresh M&A activity as large companies sell off non-core businesses, leaving smaller competitors with *little option but to merge to* survive on the international stage.

"Fashions are changing," says Mr Broadbent. "The last M&A boom was due to an over-availability of finance. The next upturn will be driven by an upheaval in corporate planning."

Jas Wilkes shares fall on statement

Shares in James Wilkes fell 6p to 176p yesterday after the specialist engineer said that, other than recent speculation concerning the intentions of Suter, the industrial conglomerate, it was not aware of any specific reason for the recent share price increase.

The shares jumped 17p to 182p on Tuesday, but the company said yesterday that it was not currently in discussions with Suter or any other party.

Earlier this month, Suter raised its holding in Wilkes to 5.21m shares (29.53 per cent). Suter said then that the shares were for investment purposes and no decision had been made about the next course of action.

Trust of Property net assets ahead

Net asset value per share of Trust of Property Shares rose from 57.14p to 106.82p over the 12 months to December 31. By February 11, the figure had risen to 113.54p.

Available revenue improved from £100,892 to £106,417, equal to earnings of 1.612p (1.529p).

The single dividend is increased from 1.503p to 1.5785p.

The trust invests in UK-listed property companies. It said 1993 had witnessed a return of confidence to real estate investments by institutional investors and added that the recent successful GATT settlement would benefit the property industry.

Brown & Jackson £7m stores deal

Brown & Jackson, owner of the Poundstretcher discount retail chain, has exchanged contracts with British Aerospace Pension Fund for the sale and leaseback of 18 Poundstretcher stores and another shop for a total £7.1m.

Five of the properties are in Scotland, 12 in northern England and two in southern England. The total rental commitment gives a net purchase yield of 10.2 per cent.

Brown & Jackson will receive about £5.9m net on completion.

MAI/Anglia offer

MAI's offer for Anglia Television Group has been accepted in respect of 81.32 per cent of the Anglia equity and is now unconditional.

Fleming Fledgeling raises net asset value by 36%

Fleming Fledgeling Investment Trust reported a 36 per cent rise in net asset value, from 288.4p to 392.6p, for the year to December 31.

The trust said the main movement in its portfolio had comprised a reduction in US weighting together with a build-up of bank overdraft, enabling increases to be made in Japan, Europe and east Asia.

Available revenue declined to £244,000 (£471,000) and eanings per share were 1.94p (3.74p).

The total dividend for the year is unchanged at 3p via a final of 2p.

PUBLIC WORKS LOAN BOARD RATES

Effective February 15

Years	Quota loans* EP†	A††	At maturity§
1			5
Over 1 up to 2	5⅛	5⅛	5⅝
Over 2 up to 3	5½	5½	6
Over 3 up to 4	5¾	5⅝	6⅛
Over 4 up to 5	5⅞	5⅞	6⅜
Over 5 up to 6	6	6	6⅝
Over 6 up to 7	6⅛	6¼	6⅞
Over 7 up to 8	6¼	6⅜	7
Over 8 up to 9	6⅜	6½	7⅛
Over 9 up to 10	6½	6⅝	7¼
Over 10 up to 15	7	7⅛	7⅜
Over 15 up to 25	7¼	7⅜	7⅜
Over 25	7⅜	7⅜	7⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

Coal exporters reeling from second price blow

By Gerard McCloskey

The sharp reduction in coking coal prices agreed between Japan and its Canadian and Australian suppliers has been followed by an even bigger cut on the European market. In the first major European settlement for 1994 supplies the Canadian producer Fording has cut its prices to the Spanish steel producer Ensidesa by $4 a tonne.

In Japan all the other Canadian and Australian coking coal exporters were forced to match Fording's price cut of $3.85, setting a new benchmark of $45.45 a tonne. With the Ensidesa agreement not only is Fording accepting an even bigger price reduction but it is cutting from a much lower base of $45 a tonne.

While some Canadian producers have accepted that they will be forced to match the $41 price for sales into Spain, the ability of the Australians to accept this as a price setter will be limited. It is believed that only BHP Australia, the world's biggest coal exporter, will be able to accept the new Japanese benchmark; and even this company will be pushed to match the Ensidesa price if it becomes accepted elsewhere in Europe.

Already the earlier settlement in Tokyo has led to a series of strikes in Australia, with Mr John Maitland, the United Mineworkers Federation president, urging the government against approving the new prices (the Department of Primary Industries and Energy has the right to block any coal price settlements - a power it seldom uses).

Senior mining company executives who privately applaud Mr Maitland's view - if not his strike call - predict mine closures as a result of the new prices.

Fording's willingness to accept lower and lower prices is driven by its desire to maximise tonnage from both Fording River - a mine that suffered an extended strike in 1992 and did not return to full production for the 1993 coal year - and Greenhills, which it purchased from the Westar Bankruptcy. And what is judged good for the mine is doubly so for its partner, the Canadian Pacific railroad, which carries all Fording's coal for export at Vancouver.

Fording appears determined to produce and sell 9m tonnes this year, an ambition which in a weak market with increasing supply can only be achieved one way - by predatory pricing.

Upturn in rubber demand forecast

By Alison Maitland

Use of synthetic rubber by the former Soviet republics and China, Vietnam and North Korea is likely to rise sharply over the next five years, according to a report by the International Institute of Synthetic Rubber Producers.

The Houston-based trade association said it expected worldwide consumption to increase by 22 per cent to more than 11m tonnes in 1998, after a 6.6 per cent fall induced by recession last year.

Growth in synthetic rubber consumption in the Commonwealth of Independent States would jump by 90 per cent, partly reflecting a bounce back from a 37 per cent fall last year caused by economic difficulties.

China, Vietnam and North Korea would use 34 per cent more synthetic rubber, which is used particularly for tyres and tyre products.

The institute also predicts that consumption of natural rubber will rise by an annual rate of 3.2 per cent over the next five years. The former Soviet republics, which used to favour synthetic, would see particularly strong growth.

"As the region trends toward a more traditional balance between synthetic and natural rubber, 1994 growth in natural rubber consumption is expected to be 20 per cent," said Mr Conrad Jankowski, managing director.

Andean pipeline will give big boost to Argentine oil earnings

By John Barham in Buenos Aires

The presidents of Argentina and Chile have formally opened a 265-mile oil pipeline crossing the southern Andes. It links the Neuquen basin, Argentina's biggest oilfield, with Chile's Pacific port of Concepcion.

The $215m pipeline built by YPF, Argentina's privatised oil giant, and Chile's state-owned oil company ENAP, will allow Argentina's oil export earnings to be increased by $500m a year.

It has a transport capacity of 107,000 barrels a day and will relieve pressure on Argentina's domestic pipeline system, overloaded by a big increase in production following deregulation of the oil industry in 1991 and YPF's privatisation last year.

The presence of Argentina's President Carlos Menem and President Patricio Aylwin of Chile at Tuesday's inauguration ceremony further underlined steadily improving relations between two traditional enemies who almost went to war in the south in 1978.

Chilean companies have invested $2bn in Argentina since 1990, mainly in privatised power stations that include strategically sensitive hydro-electric dams in the southern Andes.

Aluminium market 'faces long haul'

By Nikki Tait in Sydney

Market equilibrium in the troubled aluminium sector is unlikely before 1996, according to a study by Australian Mineral Economics.

The forecaster says that, with market prices hovering above US$1,000 a tonne and a record 4.2m tonnes of primary aluminium in world stockpiles, the industry "now faces a long haul back".

Prices will remain weak in the short-term, it suggests, and could drop below the US$1,000 a tonne in the first half of this year.

AME forecasts an average price of $1,100 a tonne in 1994, rising to US$1,400 by 1995. Consumption growth in 1994 and 1995 will average close to 4 per cent, it thinks, helped by the US economic recovery and improvement in other members of the Organisation for Economic Co-operation and Development. The consumption growth in OECD economies "will be slower than in previous cyclical upswings", the study says. But the upturn should be sufficient to outstrip primary production in the western world and CIS imports. Industry stocks, therefore, should see some reduction.

Only in 1996 does AME suggest that prices could be moving back towards their "long-term trend" at about $1,600 a tonne. By the late-1990s, it predicts further rises to $1,800 or higher, with stocks possibly dropping to as little as 1.2 months consumption by 1999. A new cyclical downturn could then see stocks rising again in the year 2000.

Co-operative spirit fades as world bauxite prices languish

Canute James talks to the president of the industry association

Members of the International Bauxite Association and other producers of bauxite (aluminium ore), already depressed by falling demand because of a weak international aluminium market, have not ben encouraged by the decision of the US to reduce the strategic stockpile of the ore that it has built up since the early 1960s.

Mr Nenad Altman, secretary general of the IBA, warns that the move will affect all bauxite producers, not only the association's members. "It is not just the quantity which is being sold, which is about 3m tonnes over two years," Mr Altman says. "Producers are being also affected by the price, which is about $8.50 per tonne. This will push prices further down. It is a small proportion of world production but the psychological impact on the market will be severe."

The waning fortunes of the world's bauxite producers have coincided with some soul searching among the IBA's members about the organisation itself. When it was created 20 years ago it steered clear of any attempt to create a cartel the industry, as was feared by the metals companies, some of which made highly unrealistic comparisons to the Organisation of Petroleum Exporting Countries. Rather, the IBA has acted as a data bank and forum for its members.

In better times the IBA's members have accounted for about 85 per cent of the western world's bauxite production, while contributing 54 per cent of alumina (aluminium oxide) production and 18 per cent of primary aluminium output. The loss of two founding members, the Dominican Republic and Haiti, in the 1980s because their industries folded, had no effect on the IBA. But the decision two years ago of Australia, the world's largest producer, not to renew its membership seriously reduced the organisation's weight and influence.

"Given the state of the market and the problems facing bauxite producers, now is the time they should be getting closer together to defend their common interests," says a representative of the Jamaican industry. "But this is not happening. There appears to be less interest now in the IBA, even among some members which have been delinquent in meeting their financial obligations to the organisation."

With financial support from members based on volume of production, Australia's departure deprived the IBA of 40 per cent of its budget. "This has inevitably affected the association's budget," agrees Mr Altman. "The majority of the member countries are facing financial difficulties and so we could not operate as before because of a reduced budget."

There appears to be little enthusiasm among some of the world's major producers to join the organisation. Active attempts to recruit Brazil drew only sufficient interest to merit it adopting the status of an observer.

Expansion may have to await to resolution of a political conundrum. The association lists its members as Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone, Suriname, and Yugoslavia, which no longer exists. "The IBA is willing to extend membership to all parts of the previous Yugoslavia if they wish to continue," says the secretary general. "There is bauxite in Bosnia, Croatia, Montenegro and Serbia, but the major producer is Bosnia."

Contributing to the IBA's relatively low profile has been its inability to broker a commodity pact between bauxite producers and consumers under the aegis of the United Nations Committee on Trade and Development. The attempt was abandoned because of lack of support from either side, and because bauxite could not be organised in pacts similar to those for other commodities such as cocoa and coffee, explains Mr Altman.

"There is now an attempt to find common ground for a forum of producers and consumers - a loose body to discuss the state of the industry," he says. "This would involve all three levels of the industry - bauxite, alumina and aluminium. There have been ad hoc meetings to see if such a forum can be established. . . but there is still reluctance by some to be part of this."

The IBA secretary general maintains, however, that the association's main role is to provide information on the industry to its members - a role that is increasingly important at times like these when the market is languishing. Bauxite producers are "between a rock and a hard place", he says, and have to decide whether it is better to sell more ore at lower prices or less at higher prices. And he warns that ore producers have no basis on which to anticipate an improvement in the market over the next two years.

"These factors are not within the direct influence of bauxite producers," Mr Altman admits. "What they need is a healthy economic recovery in the industrialised countries. The market is now heavily oversupplied and any hopes for a significant increase in consumption to soak up the surplus will not be realised soon."

MARKET REPORT

Copper price surge trimmed back at LME

COPPER prices fluctuated widely at the London Metal Exchange yesterday, leaving traders in two minds about the market's next move.

The three months quotation, which on Tuesday had dipped to $1,830 a tonne before finding firm support, extended the ensuing rally to $1,909 in the morning before falling back to $1,890.50 at the close, still up $46 on the day. Dealers said Chinese and Japanese buying had featured in the morning surge. "If copper doesn't get through $1,900 then the whole complex could collapse again," warned one analyst.

ALUMINIUM followed the same pattern, the three months position closing $15 below its high but $27.50 up on the day at $1,280 a tonne, while the ZINC price closed $20 ahead at $955.50 a tonne, after touching $978.50.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1257.5-8.5	1279.5-80.5
Previous	1229.5-30.5	1252-3
High/low		1296/1268
AM Official	1266-7	1288.5-89
Kerb close		1287-8
Open int.	276,123	
Total daily turnover	82,237	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1110-20	1130-40
Previous	1095-1105	1115-25
High/low		1145/1135
AM Official	1125-6	1145-6
Kerb close		1140-2
Open int.	3,243	
Total daily turnover	268	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	466.5-8.5	480-82
Previous	451-2	465-6
High/low	472.5	487/468
AM Official	472-2.5	485.5-86
Kerb close		486.5-87
Open int.	34,933	
Total daily turnover	7,250	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5790-800	5850-60
Previous	5680-85	5740-45
High/low	5760/5751	5895/5770
AM Official	5759-60	5815-20
Kerb close		5890-95
Open int.	50,507	
Total daily turnover	9,683	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5495-500	5545-50
Previous	5385-95	5440-50
High/low		5640/5505
AM Official	5465-70	5520-22
Kerb close		5600-10
Open int.	19,391	
Total daily turnover	7,265	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	953.5-54.5	972-3
Previous	934.5-5.5	953.5-54
High/low		980/962
AM Official	955-5.5	973.5-74
Kerb close		976.5-7.5
Open int.	106,787	
Total daily turnover	13,518	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1860-7	1890-91
Previous	1820-1	1944-5
High/low	1870	1910/1870
AM Official	1870-70.5	1892-3
Kerb close		1895-96
Open int.	261,407	
Total daily turnover	49,016	

■ LME AM Official £/$ rate: 1.4792
LME Closing £/$ rate: 1.4785

Spot 1.4760 3 mths: 1.4705 6 mths: 1.4660 9 mths: 1.4628

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Feb	88.70	+0.50	89.00	88.70	556	233
Mar	86.60	+0.35	87.95	86.40	27,629	6,024
Apr	86.45	+0.30	87.45	87.00	821	11
May	86.55	+0.35	87.60	86.40	18,887	3,571
Jun	86.55	+0.35	87.00	87.00	844	8
Jul	86.55	+0.35	87.50	86.30	7,380	709
Total					66,116	10,872

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	383.25-383.75	
Opening	383.40-383.80	
Morning fix	383.60	260.474
Afternoon fix	383.50	259.157
Day's High	384.10-384.50	
Day's Low	383.00-383.40	
Previous close	384.30-384.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.99	6 months	3.10
2 months	3.00	12 months	3.26
3 months	3.02		

Silver Fix	p/troy oz.	US cts equiv.
Spot	355.10	525.00
3 months	359.35	529.30
6 months	363.50	533.85
1 year	372.00	544.30

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	261-264
Maple Leaf	394.00-398.50	-
New Sovereign	91-94	62-65

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Feb	383.6	-0.2	383.9	383.3	554	317
Mar	384.0	-0.2	-	-	10	4
Apr	385.3	-0.2	385.9	384.6	70,233	38,307
Jun	387.3	-0.2	387.8	386.6	29,028	781
Aug	389.5	-0.2	390.3	389.0	5,199	131
Oct	391.9	-0.2	392.3	392.0	4,224	1
Total					140,211	39,749

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	405.3	+1.3	406.5	403.0	16,920	6,706
Jul	405.3	+1.0	406.0	403.0	3,871	312
Oct	406.0	+1.2	405.0	404.0	463	125
Jan	406.8	+1.0	406.0	406.0	447	14
Apr	407.8	+1.0	-	-	210	-
Total					21,901	7,157

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	136.55	-2.25	138.00	135.00	1,850	292
Jun	136.30	-2.25	138.00	135.50	2,919	427
Sep	136.05	-2.50	137.75	135.75	157	-
Dec	136.05	-2.50	136.50	136.25	123	6
Total					5,048	725

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Feb	527.4	+1.9	526.0	526.0	-	-
Mar	528.0	+1.8	528.5	523.5	62,604	25,144
May	531.7	+1.8	532.5	527.5	26,025	4,451
Jul	535.1	+1.8	538.0	531.0	10,217	455
Sep	538.8	+1.9	537.5	535.5	3,316	19
Dec	544.2	+2.0	545.0	540.0	8,483	694
Total					117,655	30,768

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	14.23	+0.17	14.32	14.04	58,518	39,791
Apr	14.42	+0.14	14.51	14.28	88,039	37,796
May	14.63	+0.10	14.72	14.59	43,470	11,709
Jun	14.86	+0.09	14.94	14.86	57,580	6,752
Jul	15.13	+0.09	15.15	15.09	22,384	3,745
Aug	15.34	+0.06	15.42	15.33	13,846	815
Total					440,902	104,561

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	13.31	+0.04	13.44	13.25	68,251	11,802
May	13.53	+0.03	13.63	13.49	22,676	2,515
Jun	13.74	+0.04	13.77	13.71	11,683	441
Jul	13.92	+0.04	13.94	13.90	8,979	577
Aug	14.10	+0.04	14.12	14.10	4,020	95
Sep	14.27	+0.04	14.29	14.26	2,805	74
Total					122,163	N/A

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	46.30	-0.75	47.00	46.10	35,641	23,193
Apr	44.15	-0.01	44.40	43.75	39,151	13,449
May	43.35	-0.06	43.50	43.10	37,756	4,134
Jun	43.40	-0.01	43.55	43.25	24,000	3,747
Jul	44.05	+0.09	45.05	43.75	16,348	2,164
Aug	45.00	+0.24	45.00	45.00	8,365	728
Total					184,221	51,415

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	139.00	-1.75	141.50	139.00	38,699	5,219
Apr	138.75	-0.75	140.75	138.75	18,618	1,881
May	138.50	-0.50	139.50	138.25	12,090	681
Jun	139.75	-0.75	140.75	139.75	14,496	784
Jul	141.75	-0.25	142.25	141.75	9,617	915
Aug	144.00	-	144.25	144.00	4,246	372
Total					111,314	10,992

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	2.290	+0.040	2.305	2.265	17,489	15,298
Apr	2.205	+0.016	2.220	2.190	16,503	5,846
May	2.160	+0.015	2.160	2.145	12,123	1,979
Jun	2.140	+0.015	2.140	2.120	9,318	1,318
Jul	2.130	+0.011	2.135	2.120	9,375	784
Aug	2.140	+0.008	2.135	2.125	7,909	724
Total					130,334	28,861

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	42.60	+0.73	42.80	41.90	26,630	11,029
Apr	44.80	+0.55	45.00	44.45	33,584	9,762
May	45.85	+0.51	45.75	45.40	37,888	2,782
Jun	46.20	+0.38	46.30	45.90	15,082	1,455
Jul	46.40	+0.45	46.45	-	3,408	82
Aug	46.35	+0.55	46.35	46.05	3,125	73
Total					121,217	25,339

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	99.75	+0.25	99.80	99.50	1,066	105
May	100.20	+0.15	100.30	100.00	1,939	97
Jun	100.35	+0.35	100.25	100.20	341	9
Sep	90.00	-0.15	-	-	195	-
Nov	91.25	+0.20	91.20	91.05	888	45
Jan	93.20	+0.30	93.20	93.00	271	45
Total					4,753	301

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	368/2	-2/6	371/4	365/6	83,485	27,585
May	357/2	-1/4	359/0	355/0	47,085	11,215
Jul	345/2	+0/4	346/4	342/0	82,850	9,705
Sep	346/4	+1/2	347/0	343/2	13,390	820
Dec	353/6	+0/4	354/0	350/4	17,840	1,060
Jul	339/0	+1/0	-	-	55	5
Total					244,705	50,400

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	294/2	+0/6	294/6	292/6	366,395	70,575
May	300/2	+1/0	300/6	298/2	530,030	87,175
Jul	302/4	+1/0	303/0	300/6	451,815	35,935
Sep	287/2	+1/4	287/6	285/0	104,495	7,365
Dec	272/2	+2/0	273/0	269/6	249,835	25,340
Mar	279/2	+2/2	279/6	275/6	15,725	570
Total					1,724M	227,480

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.75	+0.55	103.50	103.50	379	3
May	103.65	+0.65	103.50	103.50	220	13
Sep	91.90	+0.15	-	-	102	-
Nov	93.75	+0.05	-	-	83	-
Jan	95.50	-	-	-	3	-
May	98.75	-	-	-	-	-
Total					787	16

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	681/2	+3/6	681/6	674/0	245,160	59,015
May	687/2	+3/0	688/0	681/2	240,985	82,345
Jul	690/0	+2/2	690/4	685/0	184,485	27,210
Aug	683/0	+1/6	683/0	679/2	35,340	3,545
Sep	667/6	+3/0	668/0	663/0	19,140	955
Nov	653/6	+2/2	654/4	649/4	111,985	17,000
Total					653,875	191,245

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	28.31	+0.29	28.32	27.81	23,557	8,374
May	28.31	+0.22	28.38	27.90	27,425	5,808
Jul	28.31	+0.30	28.32	27.83	20,918	1,528
Aug	27.95	+0.31	27.95	27.50	6,490	214
Sep	27.55	+0.35	27.60	27.15	5,594	292
Oct	26.77	+0.32	26.77	26.45	4,491	118
Total					98,728	16,246

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	198.2	-0.8	197.0	195.5	26,499	6,707
May	196.9	-	197.0	196.1	24,196	4,498
Jul	197.6	+0.2	197.7	196.8	18,310	2,724
Aug	196.5	+0.1	196.5	195.8	7,288	129
Sep	194.5	+0.1	194.8	194.1	4,705	107
Oct	192.8	+0.1	192.8	192.5	2,708	752
Total					91,458	18,019

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	150.0	-10.0	-	-	37	-
Apr	110.3	+1.30	110.1	107.7	1,776	72
May	127.3	+1.30	127.0	125.0	1,011	12
Jun	130.0	-	-	-	2	-
Nov	80.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,824	84

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	1143	-9	1150	1150	132	2
Mar	1170	-6	1185	1170	335	16
Apr	1234	-1	1240	1237	1,255	77
Jul	1117	+5	1120	1110	351	60
Oct	1256	+2	-	-	243	-
Jan	1300	-5	-	-	74	-
Total					2,420	155

	Close	Prev
BFI	1148	1154

COTTON

LIVERPOOL-Spot and shipment sales amounted to 131 tonnes for the week ended 11 February, against 383 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles notably in the african, Israeli and Turkish range.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	872	-12	878	869	25,764	1,921
May	885	-11	891	880	19,678	3,187
Jul	898	-10	902	892	11,886	725
Sep	913	-9	916	908	11,042	232
Dec	927	-9	930	920	15,996	261
Mar	939	-12	944	937	25,824	394
Total					127,191	8,844

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1076	+7	1080	1067	3,078	1,077
May	1094	-	1104	1087	35,308	5,157
Jul	1120	+4	1126	1113	15,977	680
Sep	1143	-	1151	1139	7,985	418
Dec	1173	-	1176	1173	6,828	10
Mar	1202	+7	1210	1204	7,943	5
Total					86,844	7,368

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Feb 15		
Daily	682.60	671.23
Feb 16		
10 day average	869.99	867.53

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1211	+1	1211	1198	8,147	1,542
May	1213	-	1214	1200	14,598	994
Jul	1210	+1	1210	1202	6,475	693
Sep	1212	-	1213	1207	3,179	161
Nov	1212	-2	1213	1207	3,163	35
Jan	1210	+1	1214	1209	3,884	99
Total					39,432	3,824

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	76.40	-1.10	78.30	75.25	8,298	10,445
May	77.40	-0.70	78.00	77.20	25,254	12,900
Jul	78.70	-0.70	79.25	78.50	8,234	2,015
Sep	80.00	-0.65	80.30	79.75	4,095	278
Dec	81.05	-0.40	81.70	81.25	2,821	542
Mar	82.15	-0.65	-	-	908	12
Total					47,638	26,192

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Feb 15		
Comp. daily	72.80	72.11
15 day average	71.29	71.09

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	11.25	+0.05	11.28	11.20	1,196	30
May	11.70	-0.02	11.71	11.70	1,274	70
Jul	12.03	+0.02	-	-	2,903	-
Oct	11.51	-0.03	11.57	11.56	30	55
Total					5,403	155

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	307.40	+0.60	308.00	305.00	7,022	677
Aug	307.20	+0.90	307.30	305.00	2,814	113
Oct	294.60	+0.30	294.50	293.40	2,652	39
Dec	292.20	-0.40	-	-	111	-
Mar	292.90	+0.30	-	-	111	-
May	295.60	+1.00	-	-	27	-
Total					12,737	829

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.98	+0.01	11.08	10.91	28,173	8,470
May	11.39	-0.04	11.49	11.32	58,574	12,636
Jul	11.46	-0.03	11.54	11.40	22,683	2,101
Oct	11.24	-	-	11.30	11.18	19,128	1,026
Mar	11.12	-0.04	11.22	11.11	5,186	351
May	11.15	-0.06	11.22	11.16	477	2
Total					130,695	25,416

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	76.83	-0.04	77.04	75.30	9,416	2,478
May	77.20	+0.16	77.56	75.85	23,338	4,431
Jul	77.50	+0.12	77.74	76.30	10,413	1,175
Oct	73.65	+0.45	74.05	73.46	2,116	96
Dec	70.90	+0.22	71.10	70.50	9,673	414
Mar	71.85	+0.52	71.65	71.35	215	1
Total					55,254	8,600

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	106.25	-3.25	108.65	106.10	8,165	775
May	109.90	-2.50	112.00	109.40	5,002	638
Jul	112.90	-2.40	114.75	112.80	3,141	341
Sep	115.75	-2.25	117.05	116.50	1,056	212
Nov	117.75	-1.75	118.80	118.00	811	97
Jan	120.00	-1.45	-	-	906	13
Total					19,110	2,087

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 16	Feb 15	month ago	year ago
1786.5	1779.1	1702.7	1772.6

■ CRB Futures (Base: 4/9/56=100)

Feb 15	Feb 14	month ago	year ago
227.22	227.29	227.42	202.10

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.800	+0.075	74.825	74.550	4,100	2,493
Apr	76.075	-0.100	76.125	75.825	37,396	8,506
Jun	74.450	-0.125	74.500	74.300	20,409	2,614
Aug	73.300	-0.075	73.350	73.200	11,884	1,586
Oct	73.625	-0.025	73.650	73.450	9,377	810
Dec	73.825	-0.050	73.875	73.725	2,010	132
Total					85,884	16,220

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	48.675	+0.200	48.925	48.400	1,402	692
Apr	50.275	+0.100	50.325	49.900	14,193	2,391
Jun	55.425	+0.075	55.525	55.150	7,692	857
Jul	54.425	-0.025	54.725	54.300	3,000	170
Aug	52.625	-0.175	52.875	52.500	2,551	129
Oct	48.525	-0.025	48.625	48.350	1,424	34
Total					31,657	4,303

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	57.650	+0.950	57.650	56.400	530	204
Mar	57.175	+0.425	57.400	56.300	2,110	1,692
May	58.125	+0.425	58.300	57.250	4,813	1,398
Jul	58.450	+0.050	58.650	57.750	2,262	516
Aug	56.050	+0.350	56.350	55.500	438	328
Total					10,153	3,806

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1225	72	98	16	28
1250	56	82	24	37
1275	42	68	35	48
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1800	108	136	15	28
1850	71	103	30	45
1900	44	76	52	67
■ COFFEE LCE	Mar	May	Mar	May
1100	111	125	-	12
1150	61	88	-	25
1200	13	58	2	45
■ COCOA LCE	Mar	May	Mar	May
850	22	60	-	25
875	4	46	7	36
900	-	35	28	50
■ BRENT CRUDE IPE	Apr	May	Apr	May
1400	20	-	78	-
1450	9	32	-	-
1500	5	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$12.41-2.51w	+0.18
Brent Blend (dated)	$13.07-3.12	+0.056
Brent Blend (Apr)	$13.30-3.32	+0.055
W.T.I. (1pm est)	$14.41-4.43w	+0.15

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$153-155	
Gas Oil	$141-143	-1.5
Heavy Fuel Oil	$76-78	
Naphtha	$136-140	
Jet Fuel	$155-158	-4

Petroleum Argus Estimates

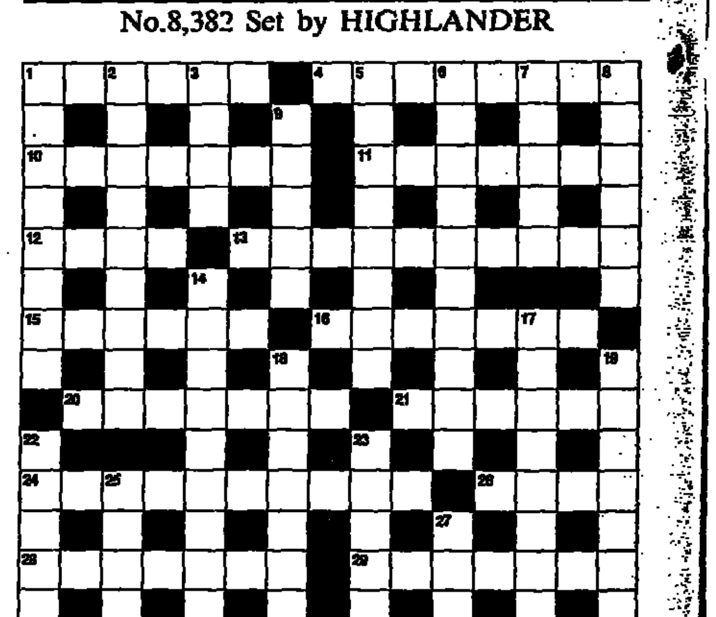
■ OTHER

Gold (per troy oz)‡	$383.50	-1
Silver (per troy oz)‡	526.5c	-1
Platinum (per troy oz.)	$400.75	+0.25
Palladium (per troy oz.)	$136.00	+0.65
Copper (US prod.)	90.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.76	+0.40
Tin (New York)	252.50c	+2.5
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	123.40p	+2.28*
Sheep (live weight)†♣	117.29p	+6.67*
Pigs (live weight)	73.95p	+2.87*
Lon. day sugar (raw)	$271.90	-5.30
Lon. day sugar (wte)	$308.50	-2.50
Tate & Lyle export	$296.00	-4.00
Barley (Eng. feed)	£106.75z	+0.50
Maize (US No3 Yellow)	£129.00	
Wheat (US Dark North)	£143.50	
Rubber (Mar)¶	64.00p	-1
Rubber (Apr)¶	64.25p	-1
Rubber(KL RSS No1 Feb)	238.50m	+1
Coconut Oil (Phil)§	$572.5x	-7.5
Palm Oil (Malay.)§	$382.5t	-7.5
Copra (Phil)§	$368.0	
Soyabeans (US)	£208.0y	
Cotton Outlook A Index	80.70c	
Wooltops (64s Super)	380p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Apr. z Mar. † Feb/Mar. x Apr/May. ¶ London Physical. § CIF Rotterdam. ‡ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,382 Set by HIGHLANDER



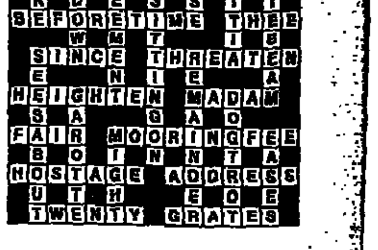
ACROSS

1 Minor snub from southern point of view (6)
4 Like grandfather clock? (3-5)
10 Hoping not to finish off painkiller (7)
11 Shy graduate - busted flush (7)
12 Tracked vehicle used as fuel container (4)
13 American left diplomatic mission following accusation (10)
15 Mysterious person associated with musical variations (6)
16 Occasionally a non-drinker takes half back (2,5)
20 Silver bullet is on the bottom for a reason (7)
21 International body is working in complete agreement (6)
24 Common man is to refer to people's vote (10)
26 Expert protects mountaineers' leader from ultimate peak (4)
28 One serial rewritten by Middle East resident (7)
29 Moved up a note, very optimistic (7)
30 Close examination reveals second vineyard, very small (8)
31 Queen has to worry about rat-catcher (6)

DOWN

1 Look carefully at neckwear and ladies' underwear (8)
2 I'm quietly putting a stop to brewing (9)
3 Tax people caught in explosive charge (4)
5 Theatrical book about Tarka and Bill, mostly (6)
6 Australians in Assam tan differently (10)
7 Reportedly made a hash of one civilian's dress (5)
8 Finding and drawing a line (6)
9 Friend of Charles II heard sound of bell (5)
14 "M" going over corpse intended to give audience concrete example (10)
17 Simple professorship offers comfortable rest (4,5)
18 Lack of activity during battle (8)
19 During last month ear, nose and throat all off colour (8)
22 Goes off with swag (6)
23 Beginning to jump (5)
25 Head off the panic which produces miscalculation (5)
27 Man is one found in misleading circumstances (4)

Solution 8,381



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 surpasses 3,400 on rate cut hopes

By Steve Thompson

Hopes that a further cut in British interest rates may not be too far away were increased by the latest outpouring of economic data and provided another *shot in the arm* for a rejuvenated UK stock market, which moved effortlessly back above the 3,400 Footsie level yesterday.

At the close of trading, the FT-SE 100 Index was up 24.5 at 3,417.7 and the FT-SE Mid 250 Index was *ahead* 22.1 at 4,050.6. Over the past two sessions the 100 index has risen some 54 points or 1.6 per cent since it was hit by fears of an impending *slide* throughout world markets.

The surge in confidence and market prices yesterday *came from a* deluge *of economic* numbers published by the UK authorities, which mostly provided more justification for a further cut in interest rates.

More encouragement for the UK market came from an initial good performance from Wall Street yesterday, plus a rise in UK gilt-edged stocks.

Just about the only element of disappointment in the market was another relatively slack day's trading. Turnover came out at a surprisingly low 817.5m shares, with activity in non-Footsie stocks accounting *for 64 per cent of the total.* Dealers were surprised at the low level of business, which they said represented only a small upturn from the weather-affected levels seen on Monday and Tuesday. The value of customer business on Tuesday edged up *to £1.62bn from Monday's* £1.45bn, but both these figures were well below recent average levels.

Account Dealing Dates		
*First Dealings: Jan 31	Feb 14	Feb 28
Option Declarations: Feb 10	Feb 24	Mar 10
Last Dealings: Feb 11	Feb 25	Mar 11
Account Day: Feb 21	Mar 7	Mar 21

*New time dealings may take place from two business days earlier.

The equity market opened higher, but just short of the 3,400 Footsie level, *responding to the good rise on* the Dow Jones Industrial Average overnight and shrugging aside the disappointing performance of the Hong Kong market. Some said the latter had been affected by selling of Hong Kong stocks from one of *the big Anglo-Hong Kong funds.*

The trigger for the market's strong performance came, however, with the day's economic figures. Market strategists said the unemployment numbers provided the greatest shock. Although expected by most analysts to show a fall of upwards of 40,000, they rose by *more than 15,000, and this figure,* combined with slightly worrying retail sales numbers, produced an immediate uptick across the equity market.

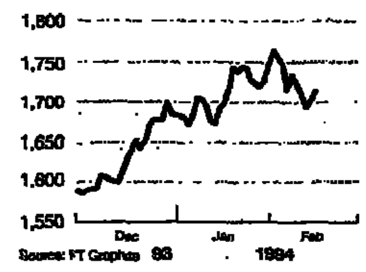
The FT-SE 100 made rapid progress thereafter, and was helped by *the latest rise in the Dow Industrial* Average. It reached the day's peak of 3,423.2, up 30 points, before easing back on profit-taking.

Senior traders in the market said the day's economic news provided ample justification for last week's ¼ *percentage point* interest rate reduction. "It puts paid to last week's story that the cut was politically, rather than economically, inspired; it is becoming clearer that it was the Bank of England, via Mr Eddie George, and not the chancellor of the exchequer, who was doing the driving," commented *one dealer. He added that the market* was much happier having appreciated that the reduction was undertaken on purely economic grounds.

He also said the market was increasingly looking for another *quarter of a point off UK rates in* the medium term and had now fully asbsorbed the story that US rates are likely to go higher this year.

Traders said the market was still affected by stock shortages in crucial areas. "It is the same old story, you cannot buy stocks you are short of and you cannot sell the longs at the right price," said one.

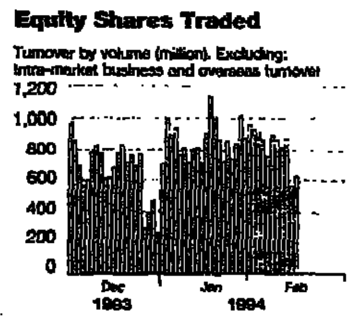
FT-SE-A All-Share index



Source: FT Graphics

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3417.7	+24.5	FT Ordinary Index	2633.0	+26.4
FT-SE Mid 250	4050.6	+22.1	FT-SE-A Non Fins p/e	22.85	(22.61)
FT-SE-A 350	*1728.6*	*+11.8*	*FT-SE 100 Fut Mar*	*3414.0*	*+24.0*
FT-SE-A All-Share	1717.78	+11.27	10 yr Gilt yield	6.55	(6.58)
FT-SE-A All-Share yield	3.29	(3.31)	Long gilt/equity yld ratio:	2.13	(2.13)

Best performing sectors

1. Retailers, Food .... +1.6
2. Building Matls & Merch .... +1.4
3. Household Goods .... +1.3
4. Pharmaceuticals .... +1.2
5. Gas Distribution .... +1.2

Worst performing sectors

1. Oil Exploration & Prod .... -0.5
2. Tobacco .... -0.3
3. Other Services & Bsns .... -0.2
4. Banks .... -0.1
5. Property .... -0.1

BAe falls as Airbus loses deal

News that a $6bn Saudi Arabian *aircraft order was to* go to the US rather than the Airbus consortium hit British Aerospace, which holds 20 per cent of the European aircraft group.

The shares fell sharply early *in the day, and anticipation of* the US success kept the stock in the doldrums before a mid-afternoon announcement from President Clinton confirmed the order. Dealers said one US investment bank was trying to *sell a block of shares but finding* no willing takers and that was causing an additional drag on the share price.

However, late news that BAe's space division had been chosen as prime contractor for *a £300m project for two new* defence satellites helped the stock recover some of the earlier drop. The shares closed 9 off at 531p after being 15 down at one stage.

Ironically, BAe is believed to be in talks about the sale of its space division with Matra Marconi Space, *one of the main* subcontractors on the new defence satellites, thought to be the most likely purchaser. A price of between £40m and *£50m has been suggested.*

BP slips

Debate over whether or not the US is selling down its holding of British Petroleum *continued to overhang the UK* traded shares. BP failed to benefit from the general gains within the market and closed marginally lower at 366p.

The company said a shift of 3.6m shares out of the US over the course of *last* week was minimal considering that it *coincided with the company's* results.

However, at its morning meeting, stockbroker Nomura said the American Depositary *Receipt holding in BP had* dropped by 1.4 percentage points to 25.9 per cent over the past four months and technical position-taking by marketmakers meant the UK weighting could be substantially higher *than the 74 per cent implied* by the amount held in the form of ADRs. The conclusion is that UK institutions have a less pressing need to pick up BP stock than some might believe.

High street banks received support from *James Capel,* with National Westminster the main beneficiary. The *agency* broker upgraded to buy from a hold and raised its 1994 profits forecast by £140m to £1,455bn. More significantly it has raised its 1995 *estimate* by £269m to £1.859bn. The house believes NatWest's exposure to small businesses in the south of England will also be beneficial as economic recovery gathers pace. NatWest shares rose 8 *before closing a net 4 up at* 559p with turnover heavy at 7.5m.

Capel moved Abbey National to a buy from a hold and Barclays to a hold from a sell. Abbey rose 9 to 522p, while Barclays were *flat* at 583p.

A Capel downgrade on HSBC was given further impetus by a weak Hong Kong market. The broker downgraded its profit forecasts and now predicts a 1994 profit of £2,687m against £2,930m previously, and a 1995 profit of £3,085m against £3,400m previously, bringing it back to the middle of the range *of analysts' estimates.* HSBC fell 17 to 992p in the ordinaries, while other Hong Kong related stocks Standard Chartered and Cable and Wireless fell 16 to 1285p and 9 to 483p.

Merchant bank Kleinwort Benson *fell* 16 to 652p ahead of full-year figures today. Profits *are expected to have at least* doubled but the shares have run up sharply.

Composite insurer General Accident recovered 21 to 681p after recent underperformance. SGST reiterated its buy stance on the stock.

Insurance broker Willis Corroon was held back by US selling and dipped 6 to 209p.

Tobacco and insurance conglomerate BAT Industries slipped a penny to 497p after an insurance company managed by Farmers, its US subsidiary, said it would have to pay out about £400m in claims resulting from January's *Californian earthquake.*

The release of the latest batch of retail sales figures provided inspiration for a variety of moves among stores *stocks. The dip in clothing and* footwear purchases was behind a retreat in Sears, off 1½ to 121p, a lacklustre showing by Next, up 2 at 226p, Stylo, stuck at 249p and Austin Reed, unchanged at 194p.

But *better* mixed retail sales, up 0.3 per cent in January, helped several stocks including Marks and Spencer up 6½ at 432½p. Great Universal Stores shares gained 7 to 609p, encouraged by the latest statistics and underpinned by the current share buy-back story.

Increased prescription charges lifted Boots and Lloyds Chemists 7 to 543p and 16 to 347p respectively.

However, Kingfisher remained a weak market, the shares sliding 3 to 634p. They have now *declined 18* per cent in six weeks, as a bearish trading statement was compounded by concerns over Darty, the French electrical retailer. The stock has been further unsettled by resignation of Woolworth's managing director over the weekend.

Independent oil and gas company Enterprise Oil eased 4 to 435p *after NatWest Securities* reiterated a warning that continuing low crude oil prices would make it difficult for the group to cover its dividend.

Television company Yorkshire Tyne Tees, which has been heated up by bid speculation, came off the boil when *some investors took profits and* the shares fell 28 to 336p.

Specialist engineering group James Wilkes, the subject of bid speculation in recent sessions, eased 6 to 176p, after it *said it was not in talks with* stake holder Suter, 2 ahead at 219p, or any other company. The conglomerate last week raised its stake in Wilkes by 8.7 per cent to 29.53 per cent. APV put on 3 to 130p, with SG Warburg *said to have* recommended the stock.

British Airways brushed aside Tuesday's downgrades that followed the release of third quarter results. The shares bounced 6 to 479p. NatWest Securities reiterated its buy recommendation saying, "Continued *cost control combined* with rising load factors will result in rapid profits growth in future years."

Fears about the future of transport leasing group Tiphook, saw the shares lose another *4 to 54p.*

Building and construction stocks were *firm on the hope of* interest rate cuts and reports of strong mortgage demand in January. Bid talk added flavour to the positive sentiment, with Wimpey, up 5 at 235p, mooted as a possible target.

Building materials were strong with Strauss Turnbull *and UBS said to be behind the* rise of Redland, ahead 8 at 600p. Rugby Group added 7 at 338p and Tarmac 8 at 194p, with Cazenove said to be pushing the latter.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (81).
BANKS (1) First Natl. Fin. 7pc Pf., BREWERIES (1) Fuller STA, BUILDING & CNSTRN (4) Galliford, Howard, Tay Homes, Tilbury Douglas, BLDG MATLS & MCHTS (3) Alumasc, Celebread Robey A, Gibbs Dandy A, CHEMICALS (1) Wolstenholme Rink, DISTRIBUTORS (3) Adam & Harvey, Headlam, PCT, DIVERSIFIED INDLS (2) Ropner, Do A, ELECTRNC & ELECT EQUIP (4) Abacus, BICC Cap. 10¼pc Cv. '20, Control Techniques, Millgate, ENGINEERING (11) Alvis, Baynes (C) 5.8p Pf., Clyde Blowers, Cook (W), Crabtree, FR, Firth (GM), Prospect Inds., VSEL, Vosper Thornycroft, Wilkes (J), ENG. VEHICLES (1) Avon Rubber, EXTRACTIVE INDS (2) Perseverance Corp., Rockwood, HEALTH CARE (2) Community Hsptls., Ferraris, HOUSEHOLD GOODS (1) Creighton Naturally, INVESTMENT TRUSTS (3) Baring Secs. Emrg. Mkts., Drayton Korea, St. Andrew, LEISURE & HOTELS (2) Crockfords, Manchester Utd., MEDIA (10) Adscene, Border TV, Bristol Evening Post, Daily Mail A, GWR, Intl. Business Comms., Johnston Press, Reuters, Telegraph, Ulster TV, OIL EXPLORATION & PROD (1) Monument Oil, OIL, INTEGRATED (1) Santos, OTHER FINANCIAL (3) EFT, Quayle Munro, Union Discount, OTHER SERVS & BUSNS (2) Gt. Southern, UDO, PRTNG, PAPER & PACKG (8) Bemrose, Britton, Bunzl, Enso-Gutzeit, Hunters Armley, Kymmene FM, Repola, St Ives, Watmoughs, PROPERTY (6) Bourne End Prop, Cap. & Regl., Chesterfield, High-Point, Jermyn Inv., Town Centre, RETAILERS, FOOD (1) Watson & Philip, RETAILERS, GENERAL (5) Carpetright, Essex Furn., Signet 8 7/8p Pf., TEXTILES & APPAREL (3) Lamont, Leslie Wise, TRANSPORT (1) Tibbett & Britten, WATER (1) Bristol Water.
NEW LOWS (12).
GILTS (4) Exch. 12 1/2pc '94, Exch. 13 1/2pc '94, Treasury 10pc '94, Treasury 15 1/4pc '96, BANKS (1) Standard Chrtd. 7 3/8pc Pf., ENGINEERING (1) Fenum, MEDIA (1) Interaurope Tech., OIL EXPLORATION & PROD (1) Coplex Res., PRTNG, PAPER & PACKG (1) Huntsprint, SUPPORT SERVS (1) Penna, TEXTILES & APPAREL (1) Horace Small Apparel, AMERICANS (1) NYNEX.

EQUITY FUTURES AND OPTIONS TRADING

Renewed hopes of a reduction in UK interest rates following the release of a *mixed set of economic* statistics kept stock index futures buoyant, *writes Joel Kibazo.*

Having opened strongly *at 3,396, the March contract* on the FT-SE 100 Index *drifted for the first hour of* trading as dealers awaited the 9.30am release of economic data on retail price inflation, unemployment and *retail sales volume.*

When they came, the *statistics brought renewed* speculation of a cut in interest rates which sent dealers bidding for stock. A slight squeeze occurred over the lunchtime period, as several of the big houses joined independent traders as buyers of the contract.

A *firm gilts sector, along* with a positive start to *trading on Wall Street, gave* a further boost to the contract, helping it to maintain a good premium to cash for most of the day.

March finished at 3,414, up 24 from its previous close but around 3 points *below* its fair value premium to cash *of about minus 5. Volume* at the official close was 16,379 lots.

In traded options, there was strong business in the FT-SE 100 option, ahead of tomorrow's expiry. A total of 42,417 contracts were dealt, of which 19,442 were in the *FT-SE 100 option and* 6,453 in the Euro FT-SE 100 option. Abbey National topped the stock options with 2,573 lots traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3395.0	3414.0	+24.0	3429.0	3385.0	18208	62603
Jun	3408.0	3428.0	+23.5	3428.0	3408.0	34	12109
Sep		3448.0	+24.0			0	390

Contracts traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4045.0	4064.0	+19.0	4070.0	4045.0	128	2,863
Jun		4075.0					

All open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3418) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

Feb	194½	½	144½	½	96½	1	52½	4½	13½	20	2	63	1	113	½	163
Mar	203	14½	160½	21½	122½	33	89½	50	62½	73	41½	101½	26	136	15½	175½
Apr	217½	29½			143	54½			85	95½			45	154½		
Jun	251½	51½			184	82½			128	124½			84½	179½		
Sept†	292	75½			226	106½			169½	147			123	197½		

Calls 4,614 Puts 1,838 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950		4000		4050		4100		4150		4200		4250		4300	
Mar	145½	32½	108½	48	77½	67½	57	91½	37	122	24	158½	15	200	9	249½
Apr	180½	54	126	72	101½	90½	84½	117	65	144	48	176	36	215½	26	258

Calls 45 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Feb 16	Day's chge%	Feb 15	Feb 14	Feb 11	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3417.7	+0.7	3393.2	3363.5	3378.9	2614.0	3.43	5.07	24.50	6.29	1254.09
FT-SE Mid 250	4050.6	+0.5	4028.5	4010.6	4030.0	3017.4	3.01	4.76	25.75	9.55	1472.76
FT-SE Mid 250 ex Inv Trusts	4066.8	+0.5	4045.6	4030.6	4047.6	3029.2	3.10	5.09	24.30	9.40	1473.78
FT-SE-A 350	1728.6	+0.7	1716.8	1703.5	1711.4	1391.5	3.34	5.00	24.78	3.00	1299.22
FT-SE SmallCap	2076.05	+0.4	2068.75	2063.97	2068.86	1514.43	2.64	3.38	37.85	3.59	1577.47
FT-SE SmallCap ex Inv Trusts	2053.11	+0.3	2047.22	2045.88	2047.39	1517.98	2.78	3.71	35.21	3.73	1582.67
FT-SE-A ALL-SHARE	1717.78	+0.7	1706.51	1693.96	1701.53	1374.50	3.29	4.88	25.39	2.98	1314.00

■ **FT-SE Actuaries All-Share**

	Feb 16	Day's chge%	Feb 15	Feb 14	Feb 11	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2623.49	+0.3	2614.64	2624.12	2649.22	2044.70	3.36	4.75	26.05	4.90	1025.74
12 Extractive Industries(4)	3953.83	+1.0	3915.74	3889.88	3937.81	3067.60	3.15	4.62	25.58	0.00	1064.00
15 Oil, Integrated(3)	2551.01	+0.3	2544.09	2559.80	2583.99	1924.30	3.43	4.87	25.61	6.35	1017.48
16 Oil Exploration & Prod(11)	1881.26	-0.5	1891.11	1895.56	1903.08	1964.10	3.17	3.82	33.65	0.00	1066.76
20 GEN MANUFACTURERS(264)	2204.13	+0.8	2186.54	2177.06	2184.90	1679.90	3.34	3.03	45.70	1.93	1091.55
21 Building & Construction(31)	1554.29	+1.1	1537.72	1523.93	1526.16	895.80	2.26	1.23	80.00†	1.29	1189.92
22 Building Matls & Merchs(30)	2339.68	+1.4	2308.26	2300.09	2300.89	1488.80	3.00	2.46	58.14	1.14	1072.02
23 Chemicals(20)	2451.76	+0.5	2438.54	2418.31	2432.54	2083.80	3.77	‡	‡	0.39	1053.45
[illegible]											

■ **Hourly movements**

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

[illegible]

TRADING VOLUME

■ **Major Stocks yesterday**

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	17	14
Other Fixed Interest	9	3	3
Mineral Extraction	*57*	*52*	*98*
General Manufactures	209	77	397
Consumer Goods	62	17	114
Services	*132*	*67*	*322*
Utilities	29	6	11
Financials	100	61	229
Investment Trusts	*216*	*21*	*223*
Others	54	32	33
Totals	915	353	1444

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Feb. 7	Last Declarations	May 12
Last Dealings	Feb. 18	For settlement	May 23

Calls: Aegis, Aminex, Anglo Pacific, Aveeco, Burton, Development Secs., Emess, Firth (G.M.), Haemocell, Kalis Minerals, Wickes Puts: Bimec, NHL, Tiphook. Puts & Calls: Bula, Emess, Hanson Wts., NHL, Ovoca Res., Utility Cable.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
140	F.P.	260.6	176	163	Alpha Airports	173		RN4.03	2.2	2.9	19.8
-	F.P.	88.0	75¼	66¾	Baring Emrg Euro	71	+¼	-	-	-	-
-	F.P.	9.41	49½	33¾	Do Warrants	38	-¼	-	-	-	-
150	F.P.	102.7	152	151	Chiroscience	151		-	-	-	-
235	F.P.	66.7	268	250	Coda	262		WN2.0	4.5	1.0	27.3
§90	F.P.	6.96	173	106	Comp Fin Sol	148	-2	N-	-	-	23.1
-	P.P.	10.4	58	55	Energy Capital	58		-	-	-	-
-	-	1.01	28	4	Do Warrants	28		-	-	-	-
50	P.P.	470.0	49	42	Kleinwort Euro Pvt	44	+1	-	-	-	-
-	F.P.	41.0	49	39	Do Warrants	41	+1	-	-	-	-
-	F.P.	5.63	93	83	Pantheon Wrts	83		-	-	-	-
110	F.P.	37.3	125	122	Parkside Intl	125	+1	RN3.0	1.5	3.0	24.5
§120	F.P.	13.4	146	122	Slimma	142		R3.7	2.5	3.3	15.0
100	F.P.	42.3	98	91½	Taiwan Inv	94		-	-	-	-
-	F.P.	4.05	52	43	Do Warrants	45		-	-	-	-
-	*F.P.*	*0.54*	*15*	*9*	*Thornton P.E. Wts.*	*13½*		-	-	-	-
-	F.P.	3.08	52¼	51	Do. Zero Div. Pf.	51¼	+¼	-	-	-	-
200	F.P.	34.1	215	19½	Trilast	215		R5.6	2.2	3.3	17.7

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94	
-	F.P.	-	130p	123p	Carlton Comm. 5.5p Cv. Pf.	124p	-1
-	F.P.	-	131	107	Witan 6¼pc Bds	127	

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	Low	Stock	Closing price p	+or-
48	Nil	17/2	20pm	8pm	Anglo Irish	19pm	
25	Nil	21/3	12pm	2pm	‡Beckenham Grp	2pm	-½
120	Nil	16/3	112pm	103pm	Berisford	112pm	
11	Nil	28/2	20pm	15½pm	Carlisle	17½pm	+½
53	Nil	23/1	28pm	16pm	Spring Ram	27pm	+2
275	Nil	25/3	41pm	38pm	Stanley Leis.	41pm	+1
10	Nil	1/3	23pm	17pm	Utility Cable	23pm	+1
51	Nil	25/2	12pm	8pm	Worthington	10pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Feb 16	Feb 15	Feb 14	Feb 11	Feb 10	Yr ago	*High	*Low
Ordinary Share	*2633.0*	*2606.6*	*2587.1*	*2585.3*	*2619.4*	*2175.6*	*2713.6*	*2124.7*
Ord. div. yield	3.49	3.53	3.56	3.55	3.51	4.36	4.52	3.43
Earn. yld. % full	3.82	3.86	3.89	3.88	3.84	5.94	6.38	3.82
P/E ratio net	33.43	33.05	32.67	32.77	33.09	21.50	33.43	19.40
P/E ratio nil	30.80	30.46	30.13	30.22	30.52	19.73	30.80	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2617.5	2616.8	2620.2	2623.7	2628.9	2628.5	2629.7	2630.0	2636.0	2637.2	2613.8

	Feb 16	Feb 15	Feb 14	Feb 11	Feb 10	Yr ago
SEAQ bargains	31,314	29,686	34,404	48,105	40,195	27,669
Equity turnover (£m)†	-	1621.0	1482.1	2264.7	1974.1	1203.5
Equity bargains†	-	33,606	39,805	52,561	45,831	30,653
Shares traded (ml)†	-	631.3	571.9	877.8	829.8	559.5

† Excluding intra-market business and overseas turnover.

BANKS

	Notes	Price	+ or -	1993/94 High	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22½	+¾	£25¼	£18¼	6,634	4.4	12.7
ANZ A$		271¼	-1	278¼	180	3,549	3.4	21.3
Abbey National	†□	522	+9	524	345	6,843	2.8	20.1
Allied Irish I£	♣†a□	281	+1	314	179	1,661	3.7	14.3
Anglo Irish I£	NN□	69xd	—	70	28	80.7	8.5	12.1
Asahi Y		769¾	-2¾	844	415	16,474	0.8	—
Banco Bil Viz Pta		£18⅞	+⅜	£17⅞	£13⅛	3,670	5.2	7.2
Banco Sant Pta		£34⅝	—	£35	£24½	3,947	3.9	13.2
Bank Leumi (UK)		385	—	385	325	32.4	5.4	—
Bk Ireland I£	♣a□	285	+2	*319	177	1,343	4.4	21.0
Bank Scotland	♣†□	231	+6	247	116½	2,888	2.5	31.4
9¼pc Pf		139¼	+¼	141½	117½	138.2	8.4	—
9¼pc Pf		144½	+½	148½	123½	144.6	8.4	—
Barclays	†N□	583	—	592	382	9,482	2.7	—
Dai Ichi Kan Y		£12⅛	+⅛	£15⅜	£8⅞	38,276	0.4	69.6
Deutsche DM		£325⅞	+4¼	£348⅞	£250½	15,524	1.9	—
Espirito Santo		£24⅞	-⅛	£25⅛	£18½	282.7	3.3	5.9
First Nat Fin	N□	69xd	—	*95	45	148.4	2.1	—
6.3pc Cv Pf		89	-1	*91	55	8.98	8.8	—
7pc Cv Pf		106½	+½	171	106	80.0	5.2	—
Fuji Bank Y		1423	+20¾	1651	678	41,204	0.4	—
HSBC HK	†□	1011	-19	1139	474	17,257	2.5	24.2
HSBC (75p Shs)	†□	982	-17	1113	490	8,144	2.5	23.7
Lloyds	◊N□	611xd	+10	660	492	7,845	4.5	12.9
Mitsubishi Y		£18⅝	+⅜	£19¾	£11⅞	53,844	0.3	—
Mits Tst & Bk Y		894	-9½	1012½	462½	11,641	0.6	14.4
Mitsui Tst & Bk Y		703¼	+9¾	892	374	8,427	0.8	24.0
Nat Aust A$		592¾	+7¼	620¼	322	7,792	4.0	14.4
NatWest	†□	569	+4	584	398	9,269	4.0	34.0
Ottomane FFr		£30	-1	£33	£23¼	150.0	5.0	8.8
Ryl Bk Scotland	♣N□	455xd	+4	529	207	3,969	2.8	22.5
Sakura Y		991½	—	911	£5⅜	31,594	0.6	59.5
Sanwa Y		£14¼	-⅛	£16	£7¼	41,372	0.4	—
Standard Chartd	†□	1285	-16	1437	576	3,084	2.0	—
7 3/8pc Prf		107xd	—	108½	100	101.0	9.1	—
Sumitomo Y		£13⅜	-⅛	£16¼	£8⅞	43,264	0.4	29.7

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
Paribas French	□	142	—	149	98	1.1	143.2	0.8
Perpetual Japan	□	105	—	116	83	—	104.5	-1.4
Warrants	□	75	+1	88	37	—	—	—
Personal Assets	†	533	—	£93½	£76½	2.8	516.0	2.3
Pilot Inv	Z□	147	+1	153	98	0.4	141.1	-4.0
Warrants	□	57	—	69	21	—	—	—
C	□	111	—	117	100	—	109.4	-1.4
Primadona		271	—	283	157	2.1	335.6	19.3
RIT Capital	□	182	+1	189	100	0.8	225.4	19.3
2½pc Cv Ln 2000		£180½xd	+½	£188½	£100½	1.4	—	—
Radiotrust	□	84	+3	88	47	—	71.3	-15.1
Rights & Iss Inc	†	161	—	164	114	6.5	—	—
Cap		510	—	535	303	2.0	566.2	9.9
Riv & Merc Am Inc		119½	—	121	108	8.2	—	—
Cap	□	36	—	38	27	—	47.9	24.8
Warrants		17	—	17	11	—	—	—
Riv & Mer Ext	N□	145xd	+1	147	87	6.7	143.7	-.9
Warrants		44	—	49	13	—	—	—
Zero Div Pf		116	-½	118½	103	—	—	—
Riv & Mer Geared		105	—	116	81	9.0	—	—
Prtd Cap 1999		33	-½	36	18	—	41.3	20.1
Riv & Merc Smlr	N□	160	—	170	95	3.1	156.2	-2.4
Warrants		73	+3	77	22	—	—	—
Riv & Merc Tst Inc	□	129	—	127	108	9.6	—	—
Cap	□	138	+2	150	55	—	250.5	44.9
Warrants		37	—	40	8	—	—	—
Do. Stppd Prf	N	161	+½	163	147	4.3	—	—
River Plate Inc	N□	109	—	119	98	10.3	—	—
Cap		118	+5	118	26	—	212.3	48.2
Warrants		6	—	11	1	—	—	—
Zero Div Pf		84¼	—	85¾	77¼	—	—	—
St Andrew		343	+4	343	214	2.9	352.9	2.8
St David's Inc		132xd	+1	133	123	13.7	—	—
Cap		213	+2	223	76	—	371.2	42.6
Zero Prf		149½	—	151½	131	—	—	—
SPLIT Inc		183	—	279	175	22.8	—	—
Cap		1215	+20	1235	630	—	1456.9	16.6
Schroder Korea Fund		1081½	+3¾	1112¾	481	0.1	—	—
Warrants		581½	-38¾	650½	160	—	—	—

[illegible]

Net asset values supplied by Natwest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by Natwest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's
Trans Can Pipe	♥	9⅞	+1⁄16	11⅞	6⅝	1,720	4.3

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£18¾	—	£19½	£7½	1,118	3.7	15.6
Barlow		£4⅞	-⅛	£5⅜	£4	797.7	8.0	7.4
Gold Fields SA R		£13⅛xd	—	£18	£7¼	1,260	3.0	22.0
NK Props	s	85	—	97	68	3.82	9.3	39.1
SASOL	♥	317	-18	397	215	1,765	4.9	—
SA Brews		£12⅞	-⅛	£15⅛	£7⅞	6,842	2.2	20.9
Tiger Oats		773	—	838	513	1,071	2.3	15.1
Tongaat-Hulett	†	482	-4	522	212	308.2	3.0	13.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

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You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8419. (If calling *from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822*) Reports will be sent the next working day, subject to availability. If faxing please *remember to state the weekly changing FT code* above and also your post code.

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)F

Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
TSB American	6	230.16	230.16	244.85	-1.48	–
Do Accum	6	253.61	253.61	269.65	+1.61	–
TSB Brit Growth	6	101.12	101.88	108.17	+0.88	1.67
Do Accum	6	118.74	120.41	128.10	+0.78	1.67
TSB European	6	113.93	113.93xd	121.10	+1.08	0.18
Do Accum	6	120.96	120.96	128.70	+1.08	0.18
TSB Extra Income	6	218.47	218.60xd	231.07	-1.88	3.46
Do Accum	6	358.74	363.74xd	386.98	+2.85	3.46
TSB Smaller Cos	6	80.62	82.67	87.99	+0.13	0.69
Do Accum	6	88.51	91.90	97.77	+0.14	0.69
TSB General	6	307.98	312.27xd	332.20	+3.59	1.87
Do Accum	6	630.30	629.07xd	669.27	+7.68	1.87
TSB Premier Income	5	55.61	56.61xd	60.66	+0.06	5.50
Do Accum	5	120.45	122.60xd	127.71	+0.13	5.50
TSB Income	6	378.18	383.54	408.02	+3.21	2.78
Do Accum	6	800.69	812.27	864.12	+6.79	2.78
TSB Pacific	6	458.44	458.44	487.70	-5.38	–
Do Accum	6	481.70	481.70	512.45	-5.65	–
TSB International	6	583.38	583.38	620.61	+3.39	0.06
Do Accum	6	765.94	765.94	814.51	+4.50	0.06
TSB Nat Resources	6	177.08	181.68	193.28	+1.47	0.04
Do Accum	6	194.35	199.37	212.10	+1.62	0.04
TSB Spcl Opps	6	118.74	121.78	129.56	+0.79	0.78
Do Accum	6	151.10	153.97	163.48	+0.99	0.78
Environmental Inv	6	67.86	67.86	72.19	+0.40	1.34
Do Accum	6	73.57	73.57xd	78.28	+0.40	1.34
TSB Selector	6	69.40	70.53	75.03	+0.47	1.50
Do Accum	6	77.13	78.38	83.38	+0.53	1.50
TSB High Income	6	71.02	71.80	76.39	+0.50	4.00
Do Accum	6	86.41	87.37	92.95	+0.61	4.00
TSB Intl Income	6	63.62	63.99	68.07	+0.13	4.51
Do Accum	6	74.80	75.45	80.27	+0.16	4.51
TSB Selector Income	6	67.42	68.13	72.48	+0.38	4.59
Do Accum	6	76.61	77.42	82.36	+0.43	4.59

T.U. Fund Managers Limited (1200)H

NLA Tower, Addiscombe Road, Croydon 081-686 4355

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
T.U. British	5	358.0	381.2	399.2	+3.7	2.43
T.U. European		94.52	94.78	97.36	+0.31	2.00

Templeton Unit Trust Managers Ltd (1200)F

20 Castle Terrace, Edinburgh EH1 2EH 031-228 4900

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Global Growth Acc	6	232.76	233.17	248.36	+0.91	1.45
Global Growth Inc	6	211.12	211.50	225.21	+0.87	1.45
Global Balanced Acc	6	205.93	206.15	220.46	-0.11	2.49
Global Balanced Inc	6	179.87	180.08	192.58	-0.09	2.49
Value Tst Acc	6	138.22	138.71	147.95	+0.58	1.31
Value Tst Inc	6	126.72	127.18	136.00	+0.45	1.31

Thornton Unit Managers Ltd (1200)F

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

AXA Equity & Law Life Assce

Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	989.4	1041.4	+12.9	–
Higher Income Ser 5	1070.1	1126.4	+13.7	–
Property Ser 5	525.4	553.0	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

[illegible]

Britannia Life Assurance

50 Bothwell Street, Glasgow

[illegible]

FT MANAGED FUNDS SERVICE

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Royal Liver Assurance

Royal Liver Building, Liverpool, L3 1HT. 051-236 1451

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	82.7	87.0	-0.6	-
Global Equity	62.1	65.4	-0.4	-
High Yield	79.5	83.7	-1.3	-
Intl Equity	88.5	93.2	-1.1	-
Fixed Interest	80.9	85.2	-0.3	-
Money	76.2	80.2	+0.1	-
Managed	84.1	88.5	-0.7	-
Pensions				
UK Equity	90.3	95.0	-0.8	-
Global Equity	89.4	88.9	-0.7	-
High Yield	92.8	97.73	-1.9	-
Intl Equity	99.30	104.5	-1.8	-
Fixed Interest	97.60	102.7	-0.4	-
Money	94.3	99.3	+0.1	-
Managed	94.9	99.9	-1.0	-
Tax Exempt				
Tax Exempt Mngd	71.0	74.7	-0.3	-

S-E-Banken Life Assurance Co Ltd

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable plc

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident

Scottish Widows

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Sun Life Pensions Management Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

[illegible]

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Allied Dunbar International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

Friends Provident Life Office

Hansard International Ltd

Isle of Man Assurance Ltd

[illegible]

Labrow International Group

Provincial Investment Corporation

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Scottish Provident Intl Life Assce Ltd

Sun Life International

Sun Life (Guernsey) Ltd

Target International Group

[illegible]

MANAGEMENT SERVICES

[illegible]

J. D. Ward Financial Services Ltd

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Orion Fund Limited

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd

Equitable International Fund Managers Ltd

Fleming Flagship Fd Mngrs (Guernsey) Ltd

Rothschild Asset Mngmt (CI) Ltd

Henderson Fd Mgrs (CI) Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (Guernsey) Ltd

GT Asset Management (Ireland) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

[illegible]

Rothschild Asset Management - Contd.

Royal Bank of Canada Offshore Fd Mngrs Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Grindlays Inv Mgmt (Guernsey) Ltd

Baring International Fd Mgrs (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Lazard Fund Managers (Guernsey) Ltd

Sarasin International (Guernsey) Ltd

US Asset Management (Guernsey) Ltd

U.S. Treasury Securities Ltd

[illegible]

GT Asset Management - Contd.

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd (s)

Baring International Fd Mgrs (Ireland) Ltd

Bank of Ireland Asset Mgmt

Guinness Flight Fund Mngrs (Ireland) Ltd

Pacific International Fund Plc

Scottish Widows International Fund Plc

Smith New Court Fund Mgrs (Ireland) Ltd

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (IOM) Ltd

Asset Global Funds Ltd (IOM)

[illegible]

CMI Fund Managers - Contd.

John Govett Management (IOM) Ltd

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IoM) Ltd

IBI Managers (IoM) Ltd

R & R Fund Managers Ltd

[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Royal Bank of Canada Fund Managers

Coutts & Co (Jersey) Fund Managers Ltd

Jardine Fleming (Channel Islands) Ltd

HSBC Channel Fund Mgrs (Jsy) Ltd

Lloyds Bank Fund Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Standard Bank Fund Mgrs (Jersey) Ltd

TSB Trust Funds (CI)

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Coutts & Co (Jersey) Fund Managers Ltd

[illegible]

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EBC Fund Managers (Jersey) Ltd

[illegible]

Fleming Group

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Comgest SA

[illegible]

Midland Internatnl Circuit Fund SICAV(a)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

Credit Suisse - Contd.

[illegible]

Edmond de Rothschild Group - Contd.

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Credit Lyonnais Intl Asset Mgmt (HK) Ltd

[illegible]

Indosuez Asset Management Asia Ltd

[illegible]

Putnam Embassy Funds Ltd

[illegible]

Putnam International Advisers Ltd

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

£ weathers mixed data

Sterling yesterday maintained a firm tone despite the release of mixed economic data and a strong D-Mark, *writes Philip Gawith.*

After falling nearly a pfennig to DM2.54 on the release of subdued retail sales and prices data, and unemployment figures which showed a surprise rise, the pound later recovered to close in London at DM2.5471 - slightly higher than Monday's close of DM2.5463.

Market reaction was that, while the figures were soft enough to justify last week's UK rate cut, they did not indicate that the economic recovery was in any jeopardy.

The D-Mark was stronger against most currencies ahead of today's Bundesbank council meeting, while the dollar-yen rate stabilised following considerable volatility earlier in the week.

■ UK economic statistics showed subdued price pressures in January, with headline retail price inflation for January at 2.5 per cent.

Analysts said the key figure was probably the 0.6 per cent increase in retail sales. Although towards the lower end of expectations, it did confirm that consumer spending - whose strength is pivotal to an economic upturn - continues to grow. Unemployment rose by a surprise 15,000, the first rise in months, but this was treated as a seasonal blip.

The Treasury said the aim of economic recovery with low inflation was being achieved. Against a year ago, company output was up 3.5 per cent, retail sales were up nearly 4.0 per cent and unemployment was down 200,000. Underlying inflation for the last four months was at the lowest level in 25 years.

Observers said the figures left the way open for a further quarter per cent rate cut. Sterling appeared fairly strong yesterday, holding its own against the stronger D-Mark.

■ Market opinion was, as usual, split over what can be expected from today's meeting of the Bundesbank council. A Reuter survey of 20 economists found that 10 do not expect a rate reduction, eight forecast a cut and two say it is too close to call. The D-Mark was stronger on most European crosses reflecting a market view that rates will not be cut today.

Yesterday's repo tender - where the Bank allocated a smaller than expected sum to the market - was seen as making a rate cut unlikely. The discount rate, which stands at 5.75 per cent, was last cut at the Bundesbank's October 22 meeting.

The Bank's monthly economic report, released yesterday, did not favour any particular analysis of what the Council might decide. Some observers noted that the Bank had left room for a cut. It reported success in combatting inflation - the annualised rate of increase in German prices over the last six months was only 2.5 per cent - and said the recession was not yet over.

Mr Gerry Holtham, chief economist at Lehman Brothers, said he had little doubt the central bank wanted to cut rates. Although the unresolved IG Metall wage dispute is seen as reason for not cutting rates, Mr Holtham asked:"If they don't cut now, when will they cut?" He noted that if they choose to delay, they may well at their next meeting be faced with a less favourable environment in the form of a firmer dollar and a set of unfavourable M3 money supply data for January. There is also a widely held view in the market that the D-Mark risks being penalised if Bundesbank policies are seen as hindering economic recovery.

■ The dollar recovered ground against the yen amid determined intervention from the Bank of Japan and an apparent softening of stance from the US administration. Mr Mickey Kantor, the US trade representative, described recent yen strength as an "accidental" by-product of the trade dispute. It closed in London at Y103.550 from Y103.100 on Tuesday.

Although there is widespread agreement that recent yen strength is unsustainable, few are prepared to argue that the yen will not rise to Y100 against the dollar. Mr Tony Norfield, UK economist at ABN-AMRO, argues, however, that the DM/yen rate may be serving as a leading indicator of a reversal of yen strength.

Mr Norfield said the recent strength of the D-Mark meant that it had not suffered as much as other currencies against the yen. Although the yen had recently been close to its all time low of Y59 to the D-Mark, it had bounced back to trade today at the top end of its recent Y59.60-Y60.35 trading range. He said there was a "great reluctance" on the part of traders to sell the yen below its all time low.

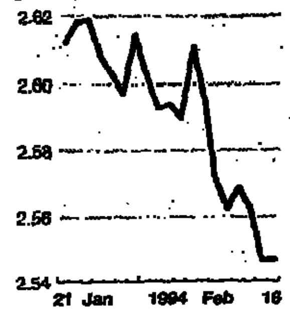
"What we could be seeing as the yen situation unravels is the yen value falling across the board. If that did happen what we would see is unwinding of recent $ weakness." Bolstering the view of a possible turnaround is increasing evidence that fund managers are buying dollars against yen, believing the US currency has fallen too far.

■ Liquidity conditions were tight in the UK money markets with few bills forthcoming early in the day. Most of the assistance provided by the Bank of England to the market was at unspecified overnight rates. The Bank put £655m into the market this way.

Earlier the Bank had provided the market with £258m of assistance at its established rates. This compared with a liquidity forecast of £950m, revised up from £850m.

Sterling

Against the D-Mark (DM per £)



Source: FT Graphite

■ **Pound in New York**

Feb 16	—Latest—	— Prev. close —
£ spot	1.4755	1.4730
1 mth	1.4736	1.4710
3 mth	1.4700	1.4673
1 yr	1.4607	1.4575

POUND SPOT FORWARD AGAINST THE POUND

Feb 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.9063	+0.0103	996 - 130	17.9574	17.8686	17.9028	0.3	17.8969	0.2	-	-	113.2
Belgium	(BFr)	52.4691	+0.0688	306 - 075	52.6158	52.2971	52.5341	-1.5	52.6441	-1.3	52.9691	-1.0	114.1
Denmark	(DKr)	9.9767	+0.0067	735 - 798	10.0148	9.9581	9.9849	-1.0	10.0024	-1.0	10.0332	-0.6	114.1
Finland	(FM)	8.2502	+0.0159	414 - 590	8.2790	8.2250	-	-	-	-	-	-	81.6
France	(FFr)	8.6766	+0.0034	736 - 795	8.7097	8.6583	8.688	-1.3	8.7028	-1.2	8.7316	-0.6	107.5
Germany	(DM)	2.5471	+0.0008	461 - 480	2.5594	2.5410	2.5494	-1.1	2.5525	-0.8	2.5545	-0.3	122.0
Greece	(Dr)	369.259	+0.232	627 - 891	369.237	367.448	-	-	-	-	-	-	-
Ireland	(I£)	1.0435	-0.0014	422 - 448	1.0487	1.0422	1.0441	-0.7	1.0454	-0.7	1.05	-0.6	102.6
Italy	(L)	2481.52	+10.32	999 - 304	2491.24	2470.35	2488.17	-3.2	2502.17	-3.3	2553.22	-2.9	76.3
Luxembourg	(LFr)	52.4691	+0.0688	306 - 075	53.6166	52.2971	52.5341	-1.5	52.6441	-1.3	52.9691	-1.0	114.1
Netherlands	(Fl)	2.8576	+0.0015	587 - 594	2.8652	2.8509	2.8587	-0.5	2.8591	-0.2	2.853	0.2	117.8
Norway	(NKr)	11.0190	+0.0116	156 - 223	11.0572	10.9973	11.016	0.3	11.0063	0.4	11.0175	0.0	94.6
Portugal	(Es)	257.666	+0.996	494 - 877	258.381	256.887	258.676	-4.6	260.611	-4.9	-	-	-
Spain	(Pta)	208.649	+0.73	539 - 758	209.390	207.865	209.289	-3.7	210.569	-3.7	214.739	-2.9	84.5
Sweden	(SKr)	11.8773	+0.0147	697 - 848	11.9263	11.7838	11.8963	-2.1	11.9383	-2.1	12.0713	-1.6	78.0
Switzerland	(SFr)	2.1471	+0.0074	460 - 482	2.1505	2.1391	2.1459	0.7	2.1426	0.8	2.1228	1.1	117.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.3159	+0.0006	154 - 164	1.3202	1.3137	1.3174	-1.4	1.3202	-1.3	1.3253	-0.7	-
SDR	-	0.948025	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4779	+0.0036	775 - 782	1.4807	1.4693	-	-	-	-	-	-	-
Brazil	(Cr)	802.597	+1.954	454 - 740	804.000	798.000	-	-	-	-	-	-	-
Canada	(C$)	1.9989	-0.0001	978 - 000	2.0044	1.9861	1.9968	1.3	1.9927	1.3	1.9835	0.6	89.3
Mexico	(New Peso)	4.5939	+0.012	916 - 961	4.6001	4.5616	-	-	-	-	-	-	-
USA	($)	1.4793	+0.0036	790 - 795	1.4820	1.4705	1.4774	1.5	1.4736	1.5	1.4636	1.0	66.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0783	-0.007	772 - 794	2.0936	2.0663	2.0768	0.9	2.0745	0.7	2.0726	0.3	-
Hong Kong	(HK$)	11.4460	+0.0304	423 - 476	11.4655	11.3758	11.4233	2.3	11.3869	2.0	11.2866	1.4	-
India	(Rs)	46.4022	+0.1184	888 - 156	46.4820	46.1330	-	-	-	-	-	-	-
Japan	(Y)	153.177	+1.037	077 - 276	154.010	151.960	152.842	2.6	152.072	2.9	148.497	3.1	189.6
Malaysia	(M$)	4.1249	+0.0226	235 - 263	4.1289	4.0924	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5784	-0.0037	744 - 784	2.5796	2.5626	2.5793	-1.4	2.5836	-1.1	2.5922	-0.6	-
Philippines	(Peso)	40.9383	+0.2841	725 - 041	41.2041	39.9385	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5478	+0.0134	463 - 486	5.5575	5.5151	-	-	-	-	-	-	-
Singapore	(S$)	2.3550	+0.0079	538 - 561	2.3608	2.3413	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0989	+0.0208	969 - 009	5.1085	5.0649	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.8584	+0.0979	478 - 649	6.8672	6.7542	-	-	-	-	-	-	-
South Korea	(Won)	1199.01	+2.48	958 - 843	1201.01	1191.13	-	-	-	-	-	-	-
Taiwan	(T$)	39.0448	+0.154	308 - 588	39.1100	38.7900	-	-	-	-	-	-	-
Thailand	(Bt)	37.4103	+0.1058	891 - 314	37.4850	37.2040	-	-	-	-	-	-	-

†SDR rate for Feb.15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1050	-0.0225	025 - 075	12.1770	12.1065	12.1256	-2.0	12.1825	-1.9	12.23	-1.0	102.6
Belgium	(BFr)	35.4700	-0.04	500 - 900	35.6850	35.4500	35.56	-3.0	35.725	-2.9	36.19	-2.0	103.6
Denmark	(DKr)	6.7444	-0.0126	434 - 454	6.7878	6.7434	6.7639	-3.5	6.7976	-3.2	6.8694	-1.9	103.7
Finland	(FM)	5.5773	-0.0028	723 - 823	5.6006	5.5683	5.5833	-1.3	5.5949	-1.3	5.6298	-0.9	76.3
France	(FFr)	5.8665	-0.012	645 - 665	5.8995	5.8627	5.8794	-2.8	5.9067	-2.7	5.9667	-1.7	103.9
Germany	(D)	1.7219	-0.0036	215 - 222	1.7332	1.7215	1.7257	-2.6	1.7322	-2.4	1.7468	-1.4	103.7
Greece	(Dr)	248.950	-0.45	700 - 200	250.180	248.700	252.46	-16.9	258.95	-16.1	287.45	-15.5	71.0
Ireland	(I£)	1.4176	+0.0053	161 - 191	1.4191	1.4086	1.4147	2.5	1.4091	2.4	1.3921	1.8	-
Italy	(L)	1677.55	+2.9	680 - 830	1683.65	1676.35	1684.25	-4.8	1698.05	-4.9	1744.55	-4.0	77.2
Luxembourg	(LFr)	35.4700	-0.04	500 - 900	35.6850	35.4500	35.56	-3.0	35.725	-2.9	36.19	-2.0	103.6
Netherlands	(Fl)	1.9318	-0.0037	315 - 320	1.9444	1.9313	1.9351	-2.0	1.9403	-1.7	1.9493	-0.9	103.1
Norway	(NKr)	7.4490	-0.0103	480 - 500	7.5117	7.4480	7.4582	-1.5	7.476	-1.4	7.514	-0.9	94.5
Portugal	(Es)	174.200	+0.25	100 - 300	174.780	174.100	175.09	-6.1	176.93	-6.3	183.5	-5.3	94.3
Spain	(Pta)	141.050	+0.15	000 - 100	141.550	141.000	141.675	-5.3	142.9	-5.2	146.725	-4.0	80.0
Sweden	(SKr)	8.0293	-0.0096	255 - 330	8.0755	8.0042	8.0561	-4.0	8.1068	-3.9	8.2543	-2.8	81.4
Switzerland	(SFr)	1.4515	+0.0015	510 - 520	1.4575	1.4495	1.4525	-0.9	1.454	-0.7	1.4503	0.1	104.2
UK	(£)	1.4793	+0.0036	790 - 795	1.4820	1.4705	1.4774	1.5	1.4736	1.5	1.4638	1.0	89.4
Ecu	-	1.1242	+0.0024	239 - 244	1.1244	1.1175	1.1214	2.9	1.1163	2.8	1.1045	1.7	-
SDR	-	1.39663	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9991	-	990 - 991	0.9991	0.9990	-	-	-	-	-	-	-
Brazil	(Cr)	542.570	-	565 - 575	542.560	542.565	-	-	-	-	-	-	-
Canada	(C$)	1.3513	-0.0034	508 - 518	1.3533	1.3504	1.3516	-0.3	1.3522	-0.3	1.3551	-0.3	85.4
Mexico	(New Peso)	3.1055	+0.0005	045 - 065	3.1065	3.1040	3.1071	-0.6	3.1099	-0.6	3.1205	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.1
Pacific/Middle East/Africa													
Australia	(A$)	1.4050	-0.0081	045 - 055	1.4104	1.4035	1.408	-0.9	1.4089	-1.1	1.4164	-0.8	87.2
Hong Kong	(HK$)	7.7370	+0.0017	365 - 375	7.7375	7.7320	7.7385	-0.2	7.741	-0.2	7.762	-0.2	-
India	(Rs)	31.3688	+0.0038	650 - 725	31.3725	31.3650	31.4338	-2.5	31.5688	-2.8	-	-	-
Japan	(Y)	103.550	+0.45	500 - 600	104.250	103.100	103.455	1.1	103.2	1.4	101.445	2.0	149.0
Malaysia	(M$)	2.7865	+0.0085	860 - 890	2.7927	2.7811	2.782	2.8	2.781	1.1	2.8035	-0.5	-
New Zealand	(NZ$)	1.7417	-0.0067	406 - 428	1.7440	1.7403	1.7433	-1.1	1.7478	-1.4	1.762	-1.2	-
Philippines	(Peso)	27.6750	+0.125	000 - 500	27.8500	27.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-0.0001	500 - 503	3.7503	3.7500	3.7526	-0.8	3.757	-0.7	3.7767	-0.7	-
Singapore	(S$)	1.5920	+0.0015	915 - 925	1.5965	1.5911	1.5909	0.9	1.5887	0.8	1.601	-0.6	-
S Africa (Com.)	(R)	3.4470	+0.0057	462 - 477	3.4495	3.4420	3.484	-5.9	3.493	-5.3	3.6005	-4.5	-
S Africa (Fin.)	(R)	4.6350	+0.055	300 - 400	4.6400	4.5875	4.666	-8.0	4.725	-7.8	-	-	-
South Korea	(Won)	810.550	-0.3	400 - 700	811.200	810.400	813.55	-4.4	817.05	-3.2	835.55	-3.1	-
Taiwan	(T$)	26.3950	+0.04	900 - 000	26.4000	26.3500	26.4975	-4.7	26.645	-3.8	-	-	-
Thailand	(Bt)	25.2900	+0.01	800 - 000	25.3100	25.2800	25.36	-3.3	25.5	-3.3	25.84	-1.4	-

†SDR rate for Feb.15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.14. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb.16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.01	16.54	4.854	1.990	4728	5.447	21.00	491.1	397.6	22.64	4.092	1.906	3.810	2.819	292.0	2.508
Denmark	(DKr)	52.59	10	8.697	2.553	1.046	2487	2.865	11.06	258.3	209.1	11.91	2.152	1.002	2.004	1.482	153.6	1.319
France	(FFr)	60.47	11.50	10	2.935	1.203	2859	3.294	12.70	297.0	240.4	13.69	2.474	1.152	2.304	1.705	176.6	1.517
Germany	(DM)	20.60	3.917	3.407	1	0.410	974.1	1.122	4.327	101.2	81.90	4.664	0.843	0.393	0.785	0.581	60.15	0.517
Ireland	(I£)	50.26	9.557	8.311	2.440	1	2376	2.738	10.56	246.8	199.8	11.38	2.057	0.958	1.915	1.417	146.7	1.261
Italy	(L)	2.115	0.402	0.350	0.103	0.042	100.	0.115	0.444	10.39	8.408	0.479	0.087	0.040	0.081	0.060	6.176	0.053
Netherlands	(Fl)	18.36	3.491	3.036	0.891	0.365	868.1	1	3.856	90.17	72.99	4.157	0.751	0.350	0.699	0.517	53.60	0.460
Norway	(NKr)	47.61	9.054	7.874	2.311	0.947	2251	2.593	10	233.8	189.3	10.78	1.948	0.907	1.814	1.342	139.0	1.194
Portugal	(Es)	20.36	3.872	3.367	0.988	0.405	962.7	1.109	4.276	100.	80.95	4.610	0.833	0.388	0.776	0.574	59.45	0.511
Spain	(Pta)	25.15	4.783	4.160	1.221	0.500	1189	1.370	5.283	123.5	100.	5.695	1.029	0.479	0.958	0.709	73.44	0.631
Sweden	(SKr)	44.17	8.398	7.304	2.144	0.879	2088	2.406	9.276	216.9	175.6	10	1.807	0.842	1.683	1.245	129.0	1.108
Switzerland	(SFr)	24.44	4.647	4.041	1.186	0.486	1156	1.331	5.133	120.0	97.16	5.533	1	0.466	0.931	0.689	71.36	0.613
UK	(£)	52.47	9.977	8.677	2.547	1.044	2481	2.858	11.02	257.7	208.6	11.88	2.147	1	1.999	1.479	153.2	1.316
Canada	(C$)	26.25	4.991	4.341	1.274	0.522	1241	1.430	5.513	128.9	104.4	5.943	1.074	0.500	1	0.740	76.64	0.658
US	($)	35.48	6.746	5.867	1.722	0.706	1677	1.932	7.451	174.2	141.0	8.032	1.452	0.676	1.352	1	103.6	0.890
Japan	(Y)	342.5	65.12	56.64	16.63	6.816	16195	18.66	71.93	1682	1362	77.55	14.01	6.527	13.05	9.654	1000.	8.590
Ecu		39.87	7.581	6.593	1.935	0.793	1885	2.172	8.374	195.8	158.5	9.027	1.631	0.760	1.519	1.124	116.4	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.5770	0.5795	+0.0021	0.5798	0.5757	62,030	124,891
Jun	0.5756	0.5765	+0.0021	0.5760	0.5750	978	10,317
Sep	-	0.5740	-	-	-	23	330

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.6864	0.6889	+0.0022	0.6896	0.6854	38,798	40,115
Jun	0.6875	0.6884	+0.0023	0.6884	0.6861	955	1,510
Sep	-	0.6880	-	0.6880	-	-	-

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.9680	0.9649	-0.0052	0.9703	0.9635	57,464	93,857
Jun	0.9695	0.9684	-0.0055	0.9710	0.9682	1,315	5,428
Sep	-	0.9761	-	-	0.9761	174	845

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	1.4714	1.4776	+0.0046	1.4808	1.4692	18,234	38,729
Jun	1.4650	1.4720	+0.0020	1.4750	1.4650	470	2,491
Sep	-	1.4670	-	1.4700	-	6	434
Dec	-	1.4650	-	1.4680	-	1	12

EMS EUROPEAN CURRENCY UNIT RATES

Feb 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.793765	+0.000123	-1.84	4.81	12
Netherlands	2.19672	2.17226	-0.00231	-1.11	4.04	-
Belgium	40.2123	39.8857	-0.0411	-0.81	3.72	6
Germany	1.94964	1.93845	-0.00187	-0.88	3.58	-
France	6.53883	6.59794	+0.00084	0.90	1.86	-8
Portugal	192.854	195.744	+0.229	1.50	1.36	-10
Denmark	7.43679	7.58676	-0.0049	2.02	0.85	-14
Spain	154.250	158.694	+0.451	2.88	0.00	-20
NON ERM MEMBERS						
Greece	264.513	279.889	-0.168	5.81	-2.77	-
Italy	1793.19	1888.08	+7.77	5.35	-2.34	-
UK	0.786749	0.758881	+0.000012	-3.54	6.68	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.400	7.82	7.81	7.54	0.04	0.28	0.29
1.425	5.21	5.56	5.50	0.13	0.67	0.68
1.450	3.10	3.75	3.70	0.51	1.34	1.37
1.475	1.52	2.36	2.32	1.38	2.39	2.43
1.500	0.58	1.36	1.34	2.88	3.82	3.86
1.525	0.14	0.72	0.70	4.93	5.66	5.73

Previous day's vol., Calls 14,103 Puts 34,445 . Prev. day's open int., Calls 501,279 Puts 486,894

WORLD INTEREST RATES

MONEY RATES

February 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6⅜	6⅝	6⅛	6¼	7.40	5.25	-
week ago	-	6⅜	6⅝	6½	6¼	7.40	5.25	-
France	6¾	6⅛	6⅜	6⅛	5⅞	6.20	-	7.75
week ago	6¾	6⅛	6⅜	6⅛	5⅞	6.20	-	7.75
Germany	6.13	6.05	5.85	5.65	5.37	6.75	5.75	6.00
week ago	6.05	6.05	5.83	5.63	5.33	6.75	5.75	6.00
Ireland	5⅞	5¾	5⅞	5⅞	5⅞	-	-	6.75
week ago	6	5¾	5⅞	5⅞	5¾	-	-	6.75
Italy	8⅞	8¾	8⅝	8⅛	8¼	-	8.00	8.92
week ago	9	8¾	8⅛	8¼	8	-	8.00	8.92
Netherlands	5.61	5.51	5.32	5.17	5.00	-	5.25	-
week ago	5.59	5.51	5.31	5.11	4.94	-	5.25	-
Switzerland	4⅛	4⅛	4⅛	4⅛	4	6.625	4.00	-
week ago	4⅛	4⅛	4⅛	4⅛	3⅞	6.625	4.00	-
US	3⅛	3⅛	3⅜	3⅝	4⅛	-	3.00	-
week ago	3⅛	3⅛	3⅜	3⅝	4⅛	-	3.00	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3⅛	3⅜	3¾	4⅛	-	-	-
week ago	-	3⅛	3⅜	3¾	4⅛	-	-	-
US Dollar CDs	-	3.27	3.41	3.60	3.93	-	-	-
week ago	-	3.27	3.38	3.56	3.90	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3⅝	3⅞	-	-	-
week ago	-	3⅛	3⅜	3⅝	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6⅞ - 6½	6⅜ - 6⅛	6⅞ - 6⅜	6⅝ - 6½	6⅜ - 6¼	6¼ - 6⅛
Danish Krone	7½ - 7	7½ - 7	7⅛ - 7	6¾ - 6½	6½ - 6¼	6¼ - 6
D-Mark	6⅛ - 6	6¼ - 6⅛	6 - 5⅞	5⅞ - 5¾	5¾ - 5⅝	5⅝ - 5½
Dutch Guilder	5⅝ - 5½	5⅝ - 5½	5⅜ - 5¼	5⅜ - 5¼	5⅛ - 5	5 - 4⅞
French Franc	6⅝ - 6⅜	6⅞ - 6⅝	6⅜ - 6⅛	6⅞ - 6¾	6⅛ - 6	5⅞ - 5¾
Portuguese Esc.	10½ - 10¼	10½ - 10¼	10⅛ - 9⅞	10⅛ - 9⅞	9⅞ - 9⅝	9⅞ - 9⅝
Spanish Peseta	9⅛ - 8⅞	9⅛ - 9	9⅛ - 9	8⅞ - 8¾	8⅝ - 8½	8⅜ - 8⅛
Sterling	5 - 4½	4⅞ - 4½	5⅛ - 5	5⅛ - 5	5⅛ - 5	5⅛ - 5
Swiss Franc	4½ - 4⅛	4½ - 4⅛	4⅛ - 4	4⅛ - 4	4⅛ - 3⅞	3⅞ - 3¾
Can. Dollar	3⅝ - 3⅜	3⅝ - 3⅜	3⅝ - 3½	3⅞ - 3¾	4⅛ - 3⅞	4⅛ - 4
US Dollar	3½ - 3⅜	3½ - 3⅜	3⅛ - 3⅛	3⅜ - 3⅛	3¾ - 3⅝	4⅛ - 4
Italian Lira	10 - 8	8¾ - 8¼	8½ - 8⅛	8½ - 8⅛	8¼ - 7⅞	8¼ - 7⅞
Yen	2¼ - 2⅛	2⅛ - 2¼	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.89	93.91	+0.02	93.92	93.84	55,521	108,032
Jun	94.35	94.34	-0.01	94.36	94.28	28,462	90,134
Sep	94.67	94.63	-0.03	94.68	94.57	18,047	48,143
Dec	94.89	94.86	-0.03	94.90	94.82	9,467	31,849

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.36	96.36	-0.01	96.37	96.36	114	5409
Jun	96.05	96.06	-	96.05	96.05	80	4478
Sep	95.72	95.73	-0.01	95.73	95.72	219	1801
Dec	95.33	95.33	-0.01	95.33	95.33	48	1031

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.24	94.25	+0.03	94.25	94.19	35786	205206
Jun	94.63	94.67	-	94.70	94.61	59246	216861
Sep	94.99	94.95	-0.02	95.00	94.90	33191	171304
Dec	95.17	95.12	-0.04	95.17	95.08	20435	128458

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.48	91.45	-0.03	91.51	91.39	9130	41007
Jun	92.03	91.96	-0.06	92.05	91.91	7111	48706
Sep	92.37	92.35	-0.06	92.38	92.31	1452	21336
Dec	92.70	92.59	-0.09	92.70	92.57	1382	16690

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.86	95.88	+0.04	95.89	95.82	4529	34452
Jun	96.15	96.17	+0.04	96.18	96.12	3666	23835
Sep	96.24	96.27	+0.04	96.27	96.22	837	5740
Dec	96.22	96.26	+0.02	96.27	96.22	164	3136

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.71	93.70	-	93.73	93.66	1777	13342
Jun	94.23	94.19	-0.02	94.23	94.17	1551	10424
Sep	94.61	94.53	-0.04	94.61	94.52	236	9107
Dec	94.83	94.74	-0.06	94.83	94.73	129	6567

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.37	96.37	-	96.37	96.36	31,976	356,141
Jun	96.05	96.06	-	96.07	96.05	46,606	409,948
Sep	95.73	95.73	-	95.74	95.72	36,852	327,092
Dec	95.32	95.33	-	95.34	95.32	23,881	248,854

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.68	96.68	-	96.69	96.66	1,408	14,710
Jun	96.40	96.40	-	96.40	96.40	738	21,665
Sep	96.08	96.09	-0.02	96.09	96.08	237	4,904

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9425	0.10	0.46	0.74	0.10	0.04	0.04
9450	0.03	0.27	0.53	0.28	0.10	0.08
9475	0.01	0.14	0.35	0.51	0.22	0.15

Est. vol. total, Calls 29051 Puts 10219. Previous day's open int., Calls 236514 Puts 169509

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.15	0.44	0.56	0.02	0.02	0.04
9600	0.04	0.23	0.38	0.16	0.06	0.09
9625	0.02	0.09	0.20	0.39	0.17	0.18

Est. vol. total, Calls 45 Puts 25. Previous day's open int., Calls 1694 Puts 3366

UK INTEREST RATES

LONDON MONEY RATES

Feb 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4½	5⅛ - 4¾	5⅛ - 5	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛
Sterling CDs	-	-	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛
Treasury Bills	-	-	4⅞ - 4⅞	4¾ - 4⅞	-	-
Bank Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	-
Local authority deps.	5⅛ - 4⅞	4⅞ - 4⅞	5⅛ - 5	5⅛ - 5	5⅛ - 5⅛	5⅛ - 5⅛
Discount market deps.	6 - 4¾	4⅞ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7108pc. ECGD fixed rate Stg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate 5½pc from Feb 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.79	94.81	+0.03	94.82	94.79	17789	81454
Jun	94.93	94.96	+0.04	94.97	94.92	23758	110204
Sep	94.90	94.94	+0.05	94.94	94.90	9981	59649
Dec	94.83	94.87	+0.05	94.88	94.82	9153	94463

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9475	0.09	0.27	0.33	0.03	0.06	0.14
9500	0.01	0.12	0.19	0.20	0.16	0.25
9525	0	0.04	0.09	0.44	0.33	0.40

Est. vol. total, Calls 4622 Puts 3850. Previous day's open int., Calls 163793 Puts 144331

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Wimbledon & Sth West.	6.5
Barclays Bank	5.25	C. Hoare & Co	5.25	Yorkshire Bank	5.25
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25	● Members of British Merchant Banking & Securities Houses Association	
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25	* In administration	
Citibank NA	5.25	Lloyds Bank	5.25		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.25		
Clydesdale Bank	5.25	Midland Bank	5.25		
The Co-operative Bank	5.25	* Mount Banking	6		
Coutts & Co	5.25	NatWestminster	5.25		
Credit Lyonnais	5.25	●Rea Brothers	5.25		
Cyprus Popular Bank	5.5				

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 16 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Feb 16 / Frs.) [illegible]

DENMARK (Feb 16 / Kr) [illegible]

FINLAND (Feb 16 / Mkt) [illegible]

FRANCE (Feb 16 / Frs.) [illegible]

GERMANY (Feb 16 / Dm.) [illegible]

ITALY (Feb 16 / Lire) [illegible]

NETHERLANDS (Feb 16 / Fls.) [illegible]

NORWAY (Feb 16 / Kroner) [illegible]

SPAIN (Feb 16 / Pts.) [illegible]

SWEDEN (Feb 16 / Kronor) [illegible]

SWITZERLAND (Feb 16 / Frs.) [illegible]

PACIFIC

JAPAN (Feb 16 / Yen) [illegible]

HONG KONG (Feb 16 / H.K.$) [illegible]

MALAYSIA (Feb 16 / MYR) [illegible]

SINGAPORE (Feb 16 / S$) [illegible]

AUSTRALIA (Feb 16 / Aust.$) [illegible]

NORTH AMERICA

CANADA

TORONTO (Feb 16 / Can $) 4 pm close [illegible]

MONTREAL (Feb 16 / Can $) 4 pm close [illegible]

AFRICA

SOUTH AFRICA (Feb 16 / Rand) [illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, February 16, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Shindengen Elec	7.2m	1,140	-30	Toshiba	4.7m	726	
Kobe Steel	7.0m	269	+10	Nachi Fujikoshi	3.9m	396	+26
Fujitsu	5.2m	331	-12	Nitsuko Corp	3.8m	1,460	+10
Nippon Steel	5.2m	875	+5	Kawasaki Steel	3.7m	341	+1
Hitachi	5.0m	875	+5	Sanken Electric	3.5m	898	+29

INDICES

[illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2269.0	2273.0	+5.0	2274.0	2253.0	22,531	20,076
Mar	2282.5	2284.0	+5.0	2285.0	2265.0	2,087	47,591
Apr	2289.0	2295.5	+5.0	2289.0	2289.0	200	350

Open interest figures for previous day.

... Feb 12: Taiwan Weighted Price (c); Korea Comp Ex 917.15. Base values of all indices are 100 except Australia All Ordinary and ... - 500, Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & ... and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ ... ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Feb 16 - 2135.25 +4.54.

US INDICES

Dow Jones	Feb 15	Feb 14	Feb 11	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3928.27	3904.06	3894.78	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.80	104.73	104.79	108.77 (18/10/93)	103.48 (11/1/93)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1802.04	1803.58	1803.14	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	215.46	216.39	216.91	256.46 (31/8/93)	215.40 (10/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3950.50 (3935.86) Low 3891.40 (3873.67) (Theoretical♦)
Day's high 3930.80 (3920.67) Low 3904.06 (3890.56) (Actual♦)

Standard and Poors	Feb 15	Feb 14	Feb 11	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	472.52	470.23	470.18	482.80 (2/2/94)	429.05 (8/1/93)	482.80 (2/2/94)	4.40 (1/6/32)
Industrials ♥	552.67	549.47	548.96	560.59 (2/2/94)	498.48 (26/4/93)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	44.54	44.39	44.39	48.49 (28/9/93)	39.89 (8/1/93)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	262.36	261.26	261.31	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	474.84	474.91	477.23	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	790.12	785.45	781.39	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 11	Feb 4	Jan 28	Year ago
Dow Jones Ind. Div. Yield	2.56	2.62	2.57	3.00
	Feb 9	Feb 2	Jan 26	Year ago
S & P Ind. Div. yield	2.35	2.32	2.35	2.46
S & P Ind. P/E ratio	28.07	28.51	27.99	27.44

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	473.60	474.25	+0.65	474.55	473.45	57,498	181,707
Jun	-	474.85	+2.35	-	-	1,173	7,213
Sep	-	476.50	+2.30	-	-	58	962

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonica	9,128,000	44	+⅜
Elf Aquita	4,595,700	36¾	+1⅛
Blockbuster	3,740,800	25	+⅛
ColumbiaHCA	3,691,400	40	+⅛
Paramount	3,838,800	77	+⅛
Reliance	3,483,200	6	-⅛
Merck	3,405,800	33¾	...
Sears Roe	3,098,700	48⅝	-1¼
Nat Semi	2,700,800	20⅝	+1¾
Gen Motors	2,700,400	61⅝	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Feb 15	Feb 14	Feb 11
New York SE	306.687	257.752	211.801
Amex	20.041	20.696	12.127
NASDAQ	296.537	282.513	208.189
NYSE			
Issues Traded	2,749	2,757	2,677
Rises	1,196	1,111	818
Falls	869	1,032	1,197
Unchanged	684	614	662
New Highs	62	60	36
New Lows	34	35	50

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 16

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅞	11½	AAR	0.48	3.0	537	410	16¼	15¾	16⅛	+⅛
28⅜	12¾	A L Labs A	0.18	1.2	35	70	15⅜	15¼	15⅜	
67¼	54⅝	AMP	1.68	2.6	22	1262	63½	62½	63½	+⅝
72¾	55½	AMR			32	3982	66⅜	65⅝	66	+⅛
5	1¾	ARX			20	243	u5	4⅞	5	+⅛
58⅛	29⅞	ASA	2.00	4.3	30	2450	46⅞	45¾	46¼	+⅞
30¾	22⅝	AbbotL	0.76	2.6	17	9131	29⅝	28¾	30¾	-⅝
13	8¾	Abitibi Pr	0.50	3.9	8	104	12⅞	12¾	12⅞	+⅛
15⅞	8⅛	AcmeCleveland			23	16	13	12¾	12⅞	
36	25½	ACE Ltd	0.40	1.4	4	595	28⅝	28⅜	28½	-⅛
12⅞	10¾	ACM Grt In	1.09	8.9		306	12⅜	12¼	12¼	-⅛
10⅛	9⅛	ACM GvOpp	0.80	8.2		117	9⅞	9¾	9¾	
10⅝	8¾	ACM Grt Sp	0.98	9.5		289	10¼	10⅛	10⅛	
12¾	10½	ACM Grt Se	1.09	9.5		440	11⅝	11½	11½	-⅛
12¼	9⅝	ACM Man	1.08	9.9		233	11	10⅞	10⅞	-⅛
9⅝	8⅝	ACM Mgd	0.72	8.0		97	9	8⅞	9	+⅛
12⅞	7¾	AcmeClv	0.44	4.5	12	11	9⅞	9¾	9¾	
11⅞	6⅞	Acme Elect			36	127	8⅞	8	8⅞	+⅜
27⅝	18⅞	Acordia	0.44	1.7	13	21	25¾	25½	25¾	+¼
9¾	6⅝	Actava	0.36	4.1	17	208	9	8⅝	8¾	-⅜
16	10⅜	Acuson			95	486	12⅜	12⅛	12⅜	
21¾	17⅝	Adams Expr	0.36	2.0	0	117	18	17⅞	18	
66¼	45½	Ad Micro	3.00	5.7		28	53	52½	52½	-⅜
32¾	18¾	AdvMic	3.00	13.6	9	3122	22	21½	21¾	-⅛
8⅛	5½	Advest Grp	0.16	2.3	10	85	6⅞	6¾	6⅞	

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Continued on next page

4 pm close February 16

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close February 16

AMEX COMPOSITE PRICES

4 pm close February 16

Price data supplied by Telekurs

AMERICA

Hewlett stars as Dow loses early impetus

Wall Street

US share prices were mostly flat in lacklustre trading yesterday morning as the dollar broadened a previously tentative recovery, and bond prices remained stable, *writes Patrick Harverson in New York*.

By 1 pm, the Dow Jones Industrial Average was up 3.94 at 3,932.21, some way below its high for the morning of 3,949.65. The more broadly based Standard & Poor's 500 was slightly weaker at the half-way mark, down 0.18 at 472.34, while the American Stock Exchange composite was down 0.34 at 474.50 and the Nasdaq composite 0.63 higher at 790.75. Trading volume on the NYSE was 180m shares by 1 pm.

Share prices rose from the opening bell. After two days of big losses tied to concern about the possible outbreak of a trade war with Japan, the US currency appreciated slightly against the yen to Y104 before easing later in the day.

Bonds, which had also been unsettled by the trade dispute, were similarly becalmed, with the benchmark 30-year government issue showing a moderate gain in early afternoon trading.

Stocks failed to hold on to their early gains, however, as attention shifted to today's all-important inflation data.

Analysts expect the January consumer price index to show a gain of about 0.3 per cent. Anything below that should boost share prices, but if consumer prices are seen to have moved substantially higher last month, fears that the Federal Reserve might put up short-term interest rates would resurface. It was concern about that possibility which kept some investors on the sidelines yesterday, and limited the market's advance.

Among individual stocks, Hewlett-Packard was the star of the day, rising $3⅞ to $89⅞ in volume of 1.4m shares after the computer manufacturer announced fiscal first quarter net income of $368m, up from $261m a year earlier.

The good news from Hewlett-Packard lifted other technology stocks. IBM added $¾ at $54¾, Digital Equipment put on $¼ at $29⅝, Motorola jumped $2⅝ to $103⅝, and Texas Instruments firmed $⅝ to $77¾.

Boeing rose $1¼ to $45⅝ in volume of 1.5m shares after Mr Peter Aseritis, the industry analyst at broking house First Boston, upped his rating on the stock to "buy" from "hold", citing Tuesday's announcement from the aircraft manufacturer that it planned to increase its monthly production of 767s, and yesterday's news that Boeing will share a $6bn order from Saudi Arabia with McDonnell Douglas. The latter's shares were up $1¼ at $118¼.

Several leading drug stocks weakened, with Bristol-Myers Squibb easing $½ to $55⅝, Merck $⅛ to $33⅛, and Pfizer $⅝ to $57⅛.

On the Nasdaq market, QVC continued to rise following its defeat in the Paramount bid battle, adding another $1¼ at $51¼.

Canada

Toronto stocks were supported at midsession by strength in the forestry sector but overall activity remained low. The TSE-300 composite index was up 3.03 at 4,417.47 by 1 pm.

Among the most actives Royal Bank Canada was steady at C$29¼ and Maclean Hunter off C$⅛ at C$16⅝.

SOUTH AFRICA

Johannesburg extended its recovery from recent lows but investors remained wary about political developments. The overall index rose 40 points to 4,782, supported by Anglos, up a further R5 at R192. Golds added 37 at 1,874 and industrials firmed a point to 5,590.

EUROPE

Mixed feelings on German rate cut prospects

There were mixed feelings about today's Bundesbank meeting, some dealers around Europe talking about the possibility of a German rate cut and others, particularly the French, almost giving up on the prospect after a four months' wait, *writes Our Markets Staff*.

Mr Reinhard Fischer, a partner at Research Vision in London, agreed that the current consensus was against a rate cut today, observed that the Bundesbank had managed to wrong-foot the markets about 80 per cent of the time, and argued in favour of the proposition, as follows:

- German inflation was down, with a year-on year figure of 3.5 per cent in January against a 3.8 per cent average for the final quarter of 1993;
- Buba has said that the German recession is not over yet;
- There was a "window of opportunity" in the currency markets, with the D-Mark strong against the dollar in the aftermath of the US/Japanese trade talks collapse; and
- There were indications that German M3 is slowing after its seemingly inexorable growth in 1993.

Admittedly, said Mr Fischer, there was no clear evidence yet of the M3 slowdown; the German repo rate, so often an indicator of key rate cuts, was firmly cemented at 6 per cent; and there was the possibility of industrial strife, particularly in Germany's metal based industries.

However, he said, the balance of argument was in favour of a cut, especially since the next Buba meeting, on March 3, fell just ahead of the first of 19 election dates for various constituencies and groups to be held in Germany this year.

FRANKFURT consolidated Tuesday's post-bourse gains on the interest rate theme and added a little more, the Dax index closing up 20.99 at 2,136.61, or 5.90 ahead of the previous afternoon's level; the post-bourse yesterday was relatively quiet.

Turnover rose from DM6.7bn to DM8.6bn. Front-line interest rate sensitive stocks rose in echelon, led by Deutsche Bank, up DM20.50 at DM829.50, and Dresdner, DM12.80 better at DM422.80, although utilities seemed relatively subdued.

In carmakers, Volkswagen was relatively weak, closing 50 pfg lower at DM445.50 after Standard & Poor's downgraded the company's senior debt.

PARIS reflected the view that hopes for interest rate cuts today had all but evaporated, although there remained a few who still believed that the Bank of France might move independently and shave a quarter of a percentage point off domestic rates.

The CAC-40 index improved 6.35 to 2,264.32 in below average turnover of FFr4.5bn.

Rhône-Poulenc added FFr2.20 to FFr150.40 in spite of reporting profits at the lower end of most analysts' expectations. The recently privatised chemicals and pharmaceuticals company also said that it did not expect a significant recovery in profits before 1996.

ZURICH extended its blue chip recovery, the SMI index rising 43.1, or 1.4 per cent to 3,033.4. Banks were lifted by SBC's 36 per cent rise in 1993 profits which exceeded analysts expectations and took SBC bearers up SFr16 to SFr506.

Ciba bearers were relatively weak, rising only SFr2 to SFr910 on the news that Pharma Vision, the investment fund, might sell its stake in the company.

AMSTERDAM moved higher for the second day in succession with Hoogovens advancing Fl 2.10 to Fl 63.40 on news that it had been exempted from fines imposed by the EU on a number of steel manufacturers for operating a cartel.

The AEX index finished up 1.71 at 431.61.

Fokker drifted down a further 80 cents to Fl 20.70, up from a session low of Fl 19.70, in further reaction to its planned job cuts.

MILAN saw a build up of volume towards the close but general activity throughout the session remained subdued.

The Mibtel index put on 39 to 10,771.

Montedison attracted attention and the shares closed L58 higher at L1,179, although traders were unable to report specific news that could have warranted buying. Fiat was another of the day's risers, up L97 at L4,800 in spite of a Standard & Poor's downgrade of its commercial paper.

STOCKHOLM saw Ericsson Bs rise SKr18 to SKr360 after gains on Wall Street, and the Affärsvärlden General index put on 23.40, or 1.5 per cent at 1,435.10. **OSLO** was lifted by gains abroad, general optimism on the Norwegian economy and two more gold medals at the Lillehammer Olympics, the all-share index rising 10.56, or 1.6 per cent to 678.50.

ATHENS rallied after three consecutive losses, investors betting that the government would not make changes at the National Economy ministry where the minister, Mr George Yennimatas, is facing health problems.

ISTANBUL saw a further 8 per cent gain to bring its rise on the week so far to 27 per cent. The composite index added 1,247.83 to 17,681.32.

Brokers remarked that a semblance of stability had returned to the currency markets, helping to inject a note of optimism.

Turnover was down to TL899bn after Tuesday's TL1,259bn.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Feb 16 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1487.98	1490.22	1489.02	1488.53	1489.27	1491.07	1491.01	1491.80
FT-SE Eurotrack 200	1548.00	1551.78	1549.31	1551.20	1553.78	1553.75	1551.90	1554.48

	Feb 15	Feb 14	Feb 11	Feb 10	Feb 9
FT-SE Eurotrack 100	1483.24	1477.57	1487.38	1489.22	1504.89
FT-SE Eurotrack 200	1540.98	1534.08	1543.87	1556.07	1561.00

Base value 1000 (26/10/90); High/day: 100 - 1492.11; 200 - 1554.84 Low/day: 100 - 1487.98 200 - 1548.00

ASIA PACIFIC

Region volatile, mostly on downside as Nikkei firms

Tokyo

A lull in the yen's ascent against the dollar prompted bargain hunting and the Nikkei 225 average gained moderate ground, *writes Emiko Terazono in Tokyo*.

The 225 index climbed above the 19,000 level again, ending with an advance of 77.51 at 19,052.11 after a day's high of 19,267.03 and low of 19,032.40 just before the close.

Dealers led the way as participants bought to adjust their positions, and this pushed equities up in the morning session as the dollar strengthened against the Japanese currency.

Continued dollar buying by the Bank of Japan in the foreign exchange market also encouraged some investors. The Topix index of all first section stocks firmed 3.76 to 1,559.10, although the Nikkei 300 capitalisation weighted index lost 0.05 at 287.65.

Traders said reports of North Korea's decision to accept international inspection of its nuclear power sites also supported investor confidence. However, many investors, remaining wary of currency fluctuations due to lingering concern over US-Japan trade tensions, were still absent.

Volume totalled 360m shares, against Tuesday's 389m. Rising issues outnumbered declines by 770 to 265, with 136 stocks unchanged. In London the ISE/Nikkei 50 index put on 1.43 at 1,288.56.

Speculative trading by individual investors led activity. Shindengen Electric, the leader in volume terms, closed a net Y30 off at Y1,140. The issue has been actively bought recently on rumours of purchases by speculative investors, and was higher in the morning session yesterday on reports of better than expected profits for the current year.

Domestic investors bought Nippon Telegraph and Telephone, which rose Y3,000 to Y898,000. East Japan Railway gained Y8,000 at Y492,000.

Some export related stocks recovered, having lost ground previously on fears of lower profits due to the rise in the yen. Fujitsu moved ahead Y13 to Y991 and Hitachi firmed Y5 to Y875. However, Sony finally lost Y10 at Y5,860 in spite of initial strength, and NEC declined Y14 to Y971.

Some financials were lower on profit-taking. Dai-Ichi Kangyo Bank shed Y10 to Y1,920 and Sumitomo Bank declined Y40 to Y2,110, while Tokio Marine and Fire, the non-life insurer, fell Y20 to Y1,280.

In Osaka, the OSE average rose 190.02 to 21,215.83 in volume of 55.7m shares.

Roundup

There was widespread volatility in the region, with most of it on the downside.

HONG KONG shelved UK-based recovery hopes after an early attempt to indulge them, the Hang Seng index tumbling 378.19, or 3.4 per cent, to 10,634.14 after an initial high of 11,119.51. Turnover remained modest, at HK$6.14bn.

Brokers blamed selling from the US, and by British business interests. Sellers talked of an expected rise in interest rates tomorrow as HSBC slid HK$2 to HK$115. Conglomerates led the retreat, however, Hutchison slipping HK$2.25 to HK$34.50, Jardine Matheson HK$3.50 to HK$72 and Swire "A" HK$4 to HK$57.50.

TAIWAN also reversed early gains, ending 2 per cent lower as late selling focused on the weak financial sector. The weighted index opened 100 points up, but closed 122.38 down at 5,862.63. Turnover was moderate at T$58.3bn.

Taiwan has its own trade talks with the US next week, and investors have also been worried about the central bank's interest rate policy.

JAKARTA extended Tuesday's falls, the composite index ending 7.89, or 1.35 per cent, lower at 574.82. Bank International Indonesia dropped by 17.4 per cent to Rp7,025 in thin volume, dealers saying that restrictions on foreign ownership might be affecting the domestic market.

BOMBAY weakened after a dull opening led funds and institutions into selling, the BSE index losing a further 92.71, or 2.3 per cent, at 3,807.42.

Brokers said foreign institutional investors, who fuelled a bull run between November and January, have cut back on their purchases after facing problems over share deliveries.

KARACHI saw early buying interest take flight after reports of possible unrest in the north west frontier province, the KSE 100 index surrendering 21.47 at 2,401.52.

SEOUL said sentiment improved on North Korea's decision to accept international inspection of its nuclear sites. The composite index finished 18.62, or 2.1 per cent, ahead at 920.43.

North Korea agreed on Tuesday to allow inspectors from the International Atomic Energy Agency to check seven declared nuclear plants in the hardline communist state.

AUSTRALIA gained on the advances in the US and Japan, the All Ordinaries index closing 15.0 higher at 2,249.0. Resource issues improved, Western Mining climbing 19 cents to A$7.61 on its partnership in a "technically feasible" gas discovery.

SINGAPORE saw revived interest in over-the-counter trading in Malaysian shares. Meanwhile, the Straits Times Industrial index rose 11.85 to 2,341.38, with Rothmans Industries up S$1.15 at S$9.30 on news of a special dividend.

Latin America reflects flow of funds

By John Pitt

Latin America has been benefiting over recent weeks from a general movement of institutional money out of Asia.

This is clearly indicated by a 20 per cent rise in dollar terms since the start of the year, compared to an 11 per cent fall in Asia. The European markets have been hit even harder, dropping by some 20 per cent since January, although here the story has been influenced by a steep decline in Turkey.

On a summary inspection, Brazil stands out as the clear leader in Latin America this year. But, says Mr Roger Palmer of Kleinwort Benson in London, since last November all of the markets in the region have performed in a broadly similar manner, with rises of between 42 to 52 per cent in dollar terms.

While investors have been encouraged by progress in balancing the Brazilian budget, it is still too early, says Mr Palmer, to view the country's economic difficulties as all but solved. A lot depends on whether the introduction of a new index designed to tackle inflation will make a significant impression. He takes the view that this is far from certain, especially because of the fluid political situation, with elections due later this year.

Sri Lanka has been showing solid performance in south Asia, with investors attracted by its relative cheapness, compared with India. Ms Susan Murphy of Smith New Court comments that the launch of new country funds has helped.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Feb 11 1994	% Change over week	% Change on Dec '93	Local currency terms Feb 11 1994	% Change over week	% Change on Dec '93
Latin America							
Argentina	(25)	1,105.86	-2.6	+11.2	678,586.31	-2.6	+11.2
Brazil	(57)	373.11	+15.9	+60.3	275,451,638.1	+27.2	+171.1
Chile	(25)	647.33	-6.9	+17.3	1,108.00	-7.3	+16.2
Colombia[1]	(11)	875.80	+11.5	+35.8	1,268.65	+11.5	+36.8
Mexico	(70)	1,101.31	-0.3	+10.1	1,474.92	-0.3	+9.9
Peru[2]	(11)	151.15	-3.8	+25.0	200.56	-3.8	+26.1
Venezuela[3]	(11)	789.94	-2.0	+33.5	1,977.57	-2.0	+39.1
East Asia							
China[4]	(18)	127.02	+0.0	-14.9	139.80	+0.0	-14.9
South Korea[5]	(156)	127.19	-4.7	+7.6	135.19	-4.6	+7.7
Philippines	(18)	300.19	+1.7	-11.8	394.45	+1.7	-11.2
Taiwan, China[6]	(90)	140.59	+0.0	+4.0	139.45	+0.0	+4.2
South Asia							
India[7]	(77)	134.64	+0.0	+15.6	148.90	+0.0	+15.6
Indonesia[8]	(37)	124.21	-2.9	-0.4	142.66	-2.9	+0.2
Malaysia	(105)	284.12	-2.9	-16.2	289.60	-3.1	-14.1
Pakistan[9]	(15)	399.72	+2.2	+0.5	533.26	+2.2	+1.0
Sri Lanka[10]	(5)	214.86	+4.2	+21.2	231.35	+4.7	+21.2
Thailand	(55)	397.46	-2.4	-16.8	401.96	-2.4	-16.8
Euro/Mid East							
Greece	(25)	258.21	-4.5	+13.4	441.81	-4.9	+14.9
Hungary[11]	(5)	239.68	-7.3	+43.8	295.02	-7.0	+46.1
Jordan	(13)	170.33	-1.2	+2.9	247.38	-1.2	+3.3
Poland[12]	(12)	1,109.95	+15.4	+35.7	1,546.89	+16.9	+40.0
Portugal	(25)	130.33	-0.3	+14.5	157.89	-0.5	+14.3
Turkey[13]	(40)	126.11	-23.4	-40.7	1,051.51	-22.0	-27.7
Zimbabwe[14]	(5)	223.60	+9.3	+10.6	274.98	+7.6	+28.7

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 15 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 14 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	178.67	-0.7	179.72	116.56	160.47	168.12	-0.2	3.10	180.19	181.82	118.57	163.36	168.55	189.15	126.38	126.36
Austria (17)	186.55	0.9	187.43	121.56	167.35	167.06	-0.1	0.95	184.81	186.48	121.61	167.54	167.31	195.41	139.63	141.46
Belgium (42)	167.12	1.2	167.90	108.91	149.92	146.35	0.0	3.93	165.09	166.58	108.63	149.66	146.31	169.08	139.32	139.32
Canada (107)	134.68	0.6	135.33	87.78	120.83	132.12	0.6	2.55	133.95	135.17	88.15	121.44	131.29	145.31	117.81	119.29
Denmark (32)	267.18	0.5	268.44	174.12	239.68	245.54	-0.3	0.92	265.82	268.23	174.92	240.99	246.18	275.79	195.66	205.06
Finland (22)	149.05	1.0	149.75	97.14	133.71	174.55	0.3	0.59	147.57	148.91	97.11	133.79	174.06	156.72	69.33	68.47
France (98)	178.24	1.3	179.07	116.16	159.89	164.33	0.5	2.83	175.87	177.46	115.73	159.44	163.49	185.37	149.60	160.00
Germany (59)	132.56	0.7	133.19	86.39	118.92	118.92	-0.4	1.78	131.67	132.86	86.64	119.37	119.37	142.38	107.59	110.25
Hong Kong (56)	447.19	0.2	449.30	291.44	401.17	444.11	0.1	2.40	446.22	450.25	293.63	404.54	443.69	508.56	239.84	242.31
Ireland (14)	192.45	1.0	193.36	125.42	172.64	192.01	0.6	2.90	190.51	192.23	125.36	172.71	190.87	209.33	129.91	130.33
Italy (66)	76.30	0.0	76.66	49.73	68.45	95.43	-0.5	1.72	76.30	76.99	50.21	69.17	95.93	78.93	55.21	59.66
Japan (469)	151.50	-0.6	152.22	98.74	135.91	98.74	-1.6	0.82	152.47	153.85	100.33	138.23	100.33	165.91	107.97	107.99
Malaysia (69)	495.01	-1.2	497.34	322.61	444.07	529.99	-0.3	1.38	501.19	505.73	329.80	454.38	531.49	621.63	267.88	270.36
Mexico (18)	2578.14	-0.6	2590.24	1680.19	2312.75	8752.38	-0.6	0.58	2593.99	2617.44	1706.92	2351.85	8806.20	2647.08	1410.30	1549.31
Netherland (26)	204.20	0.8	205.16	133.08	183.18	180.39	-0.2	2.94	202.65	204.49	133.35	183.73	180.82	207.43	155.60	155.60
New Zealand (14)	72.89	0.1	73.24	47.51	65.39	67.68	0.1	3.43	72.84	73.50	47.93	66.04	67.59	77.59	43.91	43.91
Norway (23)	196.62	0.8	197.54	128.14	176.38	199.07	-0.2	1.48	194.95	196.72	128.29	176.74	199.41	204.44	138.63	141.75
Singapore (45)	347.20	-1.1	348.83	226.27	311.47	254.48	-0.6	1.59	350.98	354.16	230.98	318.20	255.68	378.92	213.57	217.58
South Africa (60)	242.20	1.5	243.34	157.85	217.27	242.46	1.2	2.38	238.70	240.86	157.07	216.40	239.47	280.26	160.78	167.42
Spain (42)	150.17	1.0	150.87	97.87	134.71	160.29	0.3	3.66	148.64	149.98	97.81	134.75	159.76	155.78	116.33	126.63
Sweden (36)	215.79	1.2	216.81	140.63	193.58	256.80	0.9	1.39	213.22	215.15	140.31	193.31	254.53	230.02	154.59	162.40
Switzerland (45)	166.48	2.8	167.26	108.50	149.34	149.66	1.4	1.45	162.02	163.48	106.61	146.88	147.64	176.56	109.14	111.24
United Kingdom (215)	204.96	1.2	205.92	133.57	183.86	205.92	0.8	3.48	202.49	204.32	133.24	183.58	204.32	214.96	162.69	162.69
USA (518)	192.11	0.5	193.01	125.20	172.33	192.11	0.5	2.73	191.17	192.90	125.80	173.31	191.17	196.04	176.29	181.65
EUROPE (744)	171.95	1.2	172.75	112.06	154.25	166.28	0.5	2.72	169.92	171.46	111.81	154.05	165.54	178.58	135.44	135.44
Nordic (113)	210.10	1.0	211.09	136.92	188.47	217.87	0.6	1.17	208.04	209.92	136.90	188.60	216.87	220.60	145.85	150.09
Pacific Basin (722)	162.81	-0.6	163.58	106.11	146.06	110.97	-1.4	1.08	163.79	165.28	107.78	148.50	112.49	168.80	113.07	113.07
Euro-Pacific (1466)	166.46	0.2	167.24	108.49	149.33	132.28	-0.6	1.79	166.19	167.69	109.36	150.67	133.06	170.78	122.11	122.11
North America (625)	188.55	0.5	189.43	122.88	169.14	187.98	0.5	2.72	187.62	189.32	123.46	170.09	187.05	192.73	172.67	177.79
Europe Ex. UK (529)	150.90	1.2	151.61	98.34	135.37	143.00	0.2	2.24	149.15	150.48	98.14	135.21	142.66	156.73	118.26	118.26
Pacific Ex. Japan (253)	271.93	-0.4	273.21	177.22	243.95	251.20	-0.1	2.40	273.04	275.52	179.67	247.54	251.52	298.21	162.91	162.91
World Ex. US (1651)	168.03	0.2	168.82	109.50	150.73	135.58	-0.5	1.79	167.72	169.24	110.37	152.05	136.30	172.51	123.39	123.39
World Ex. UK (1954)	172.14	0.2	172.95	112.19	154.42	148.22	-0.3	1.99	171.81	173.36	113.06	155.76	148.60	175.58	138.71	140.09
World Ex. So. Af. (2109)	174.64	0.3	175.46	113.82	156.67	152.48	-0.2	2.13	174.15	175.73	114.60	157.88	152.74	178.56	140.95	142.00
World Ex. Japan (1700)	189.32	0.7	190.21	123.38	169.83	185.74	0.4	2.66	188.06	189.76	123.75	170.49	184.96	195.20	159.44	161.42
The World Index (2160)	175.01	0.3	175.84	114.06	157.00	153.21	-0.2	2.13	174.50	176.08	114.83	158.20	153.45	178.97	141.01	142.07

Latest prices were unavailable for this edition.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 22 1994

IN BRIEF

Norsk Hydro increases sharply

Norsk Hydro, Norway's largest publicly-quoted company, reported a sharp increase in profits, helped by lower costs, higher oil production and the disposal of the group's 38.3 per cent stake in Freia Marabou, the Norwegian chocolate producer. Page 22

Cold cuts
Stocks of beef in cold stores across the EU hit a record of 1.1m tonnes a year ago, leading to calls for cuts in the beef mountain. The EU will spend about Ecu1.38bn ($1.6bn) on buying surplus beef from farmers this year. Page 30

Spain set for record placement
FCC, a leading and highly diversified Spanish construction company, is to make the largest ever equity placement by a private Spanish company. Most of the placement, which could raise more than $300m, will be offered to US and UK institutions. Page 22

Brambles hits A$314m loss
A large write-off at its US incineration subsidiary caused Brambles, the Australian transport, equipment hire and waste disposal group, to post a A$313.9m (US$223.9m) loss after tax and outside equity interests in the six months to end-December. Page 23

Daiei forms trading partnership
Daiei, Japan's largest supermarket chain, has formed an import buying partnership with Marubeni, a general trading company, the first tie-up between a leading Japanese trader and retailer. Page 24

Rover reacts to Honda withdrawal
Many Rover executives and engineers regret the loss of Honda as a long-term partner but can see benefits in BMW's ownership, such as the financial resources they expect to be made available. Meanwhile, Allied-Lyons, the drinks, food and retailing group, said it did not expect the Rover affair to have a significant affect on its links with Suntory, Japan's largest whisky distiller, and played down fears of harm to other Anglo-Japanese ventures. Page 26

Merrydown down
Shares in Merrydown, the UK cider and soft drinks maker, tumbled yesterday after it issued a warning on profits and announced plans to restructure. Page 27

Restructuring helps Low & Bonar
Low & Bonar, the UK packaging and plastics group, has announced a near fourfold increase in profits thanks to a wide-ranging restructuring and contributions from new subsidiaries. Page 27

Ashtead doubles to £3.26m
Ashtead, the UK plant and machinery hire group which had a £20.4m ($30m) rights issue in November, more than doubled pre-tax profits to £3.26m in the six months to October 31. Page 28

Floating on jams
Trafficmaster, the UK company which claims to offer the world's first commercially available on-board traffic monitoring system, will soon come to the market with a capitalisation of about £25m ($36.9m). Page 29

Markets caught by surprise
Unexpected political and economic developments in Japan, Europe and the US provided the impetus for equities last week. In Tokyo, a higher yen in the aftermath of the breakdown in trade talks with the US left equities sinking. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
GEHE	494.5	+	14
Zanders Feinp	240	+	6
Falls			
BMW	848	-	19.5
Daimler-Benz	830	-	19.5
Metallgeschft	175.5	-	20.5
PWA	228	-	10
PARIS (FFr)			
Rises			
BIC	1330	+	45
Falls			
Chargeurs	1392	-	58
Credit Nat	642	-	17
Eaux Cie Gen	2685	-	82
Radiotechn	524	-	28
Redoute	890	-	70
TOKYO (Yen)			
Rises			
Hino Motors	855	+	86
NSK	858	+	45
Nippon Soda	395	+	27
Toei	800	+	80
Tokai Carbon	378	+	17
Falls			
Daido Steel	440	-	10

New York closed.

LONDON (Pence)			
Rises			
Bletchley	403	+	18
Greenacre	15	+	1½
Manganese Bro	157	+	10
Park Food	329	+	19
SEET	63	+	7
Shaftesbury Prop	28	+	4
Stanhope Prop	42	+	14
Trans World	179	+	19
Wilshaw	47	+	3
Falls			
Bakyrchik	330	-	10
Bullough	161	-	12
Clinical Comp	155	-	10
Johnson Fry	368	-	10
Ladbroke	199	-	8
London Elec	630	-	27
Merrydown	159	-	54
Navan Res	158	-	17
RTZ	819	-	28
Standard Chtd	1274	-	28
Taunton Cider	162	-	7

Rhône bids for drug distributor

By John Ridding in Paris

Rhône-Poulenc, the French chemicals and pharmaceuticals group, yesterday launched a FFr3bn ($500m) bid for Cooperation Pharmaceutique Française (Cooper), a private company which is one of France's biggest distributors of drugs and healthcare products to retail chemists.

The offer was described as "attractive" by Cooper. It requires the approval of shareholders, including 3,000 pharmacists who control about 40 per cent of the equity. The date of the shareholders' assembly should be announced tomorrow.

The friendly bid is the first significant strategic move by Rhône-Poulenc since its privatisation in November last year. It comprises a cash offer of FFr2,400 per share in Cooper, or an exchange of each Cooper share for 18 Rhône-Poulenc shares.

The proposed deal is the latest in a series of acquisitions by pharmaceuticals companies seeking to strengthen their presence in distribution. Last year in the US, Merck bought Medco, a drugs mail order company, and Gehe of Germany gained control of OCP, Cooper's principal French rival.

Rhône-Poulenc said the acquisition would strengthen its position in France's network of pharmacies. "Cooper has very close links with pharmacies as a supplier and an adviser and does business with about 90 per cent of the 22,000 pharmacy outlets that exist in France."

The move also reflected changes in the French healthcare market. "Pharmacists are playing an increasingly important role in advising patients and dispensing drugs, and self medication is on the rise," the company said.

Rhône-Poulenc and Cooper already have commercial ties. Cooper distributes Doliprane, the paracetamol tablet which is Rhône-Poulenc's biggest selling drug in France, and the Vaxigrip flu vaccine produced by the company's Institut Merieux unit.

The offer price of FFr2,400 per share is equivalent to 17.7 times the earnings per share achieved by Cooper in 1992 and twice the net asset value of the shares. Cooper, which was founded in 1907, achieved sales of FFr1.8bn in 1992, and an estimated FFr2bn last year.

Rhône-Poulenc said it had structured the offer to minimise the impact on its balance sheet. Last year, the group's net debt was reduced by more than FFr9bn, from FFr33.7bn to FFr24.1bn.

Rhône-Poulenc said it anticipated about half of the value of the offer would be represented by the share exchange and there would be no significant impact on earnings per share. The company's shares slipped yesterday, however, falling FFr4.7 to FFr140.5.

Rudloff quits CS Holding board


Rudloff: pursuing 'personal and family business interests'

By Ian Rodger in Zurich

Mr Hans-Jörg Rudloff, long-time head of Credit Suisse First Boston (CSFB) in London, has left the Swiss CS Holding financial group "to pursue personal and family business interests", according to CS.

Mr Rudloff was one of the leading figures in London's international capital markets throughout the 1970s and 1980s. He joined CSFB in 1980 and kept it among the top Eurobond and equity houses in the City.

CS said it "very much regretted" Mr Rudloff's resignation. No replacement for him was announced.

His sudden move last March to Zurich to the executive board of CS Holding, parent company of the whole financial group built around Credit Suisse, took the financial community by surprise. He too seemed surprised, saying: "You can never pre-judge a board in Switzerland."

His move came amid a drive by CS Holding to eliminate fierce rivalry between its US and UK investment banking subsidiaries. Mr David Mulford, a former US Treasury official and a vice-chairman of CS First Boston in New York, replaced Mr Rudloff as chief executive of CSFB. Three months later, Mr Archibald Cox, chief executive of the US operations of CS First Boston, also resigned "to seek other personal interests".

It was also a time when the traditional Euromarkets business at CSFB in London was being eclipsed by that of its thrusting derivatives affiliate, Credit Suisse Financial Products, run by Mr Allen Wheat.

Mr Rudloff's only responsibility at the CS Holding board was to help Mr Rainer Gut, chairman, with strategic planning. Friends suggested that while he was a brilliant strategist, this was an assignment, not a job, and would not satisfy him. A former CSFB colleague said that he would be very surprised if Mr Rudloff, who is 53, was about to retire.

● Mr Rainer Gut is to retire from the board of Elektrowatt, a Swiss electrical generating company controlled by CS. Elektrowatt said Mr Gut wanted to concentrate on the group's core financial businesses.

Simon Davies and Vanessa Houlder report on a Soros-Ritblat property deal

British Land buys stake in Stanhope


George Soros (left) and John Ritblat, who have made a move on the prestigious Broadgate Centre in London

British Land has acquired 29.9 per cent of the property company Stanhope, in a deal aimed at giving Mr John Ritblat and Mr George Soros control of the prestigious Broadgate Centre in London.

The share price of Stanhope rose 14p, or 50 per cent, to 42p, on the announcement.

The Stanhope stake will be transferred to the £500m ($730m) British Land Quantum Property Investment fund, the joint venture between British Land and Mr Soros, formed last June.

British Land hopes to leave the fund with 100 per cent of the Broadgate and Ludgate developments, valued at close to £1bn, and leave Stanhope as an independently managed company.

Stanhope announced in November that it was considering ways to strengthen its balance sheet. In June 1993, it had negative net worth of £15.8m, and its rental income has remained insufficient to cover its debt financing and overheads.

Stanhope's most significant asset is its half share in the Broadgate development, next to London's Liverpool Street station, which cost £2bn to build and still carries £800m debt. Stanhope also holds pre-emption rights over the remaining stake, which is in the hands of the receivers at Rosehaugh, which collapsed in December 1992.

Mr Ritblat, British Land's chairman, said, yesterday: "The best case scenario would be that we take out the Broadgate and Ludgate complexes from Stanhope and the receivers, and we so organise it that Stanhope is solvent and able to return to doing what it does best."

He said he wanted Stanhope to remain independent, and British Land would not request board representation.

The Stanhope shares were part of Olympia & York's 33 per cent stake, which was taken on by the Bank of Nova Scotia. British Land is paying £1.64m cash, and issuing 753,562 new shares at 440.5p, valuing the deal at £4.96m, compared with the £124m paid by O&Y in 1988.

If the restructuring is successful, British Land will pay an additional £2.46m cash and 1.13m new shares, which would represent a purchase price of 25p compared with Friday's closing price of 28p.

Mr Ritblat said the removal of the Broadgate development would reduce "Stanhope's problems to more manageable proportions". It would retain a portfolio valued at around £170m, and a number of associate development companies.

Lex, Page 20

Small price to pay for a prime seat in London

The announcement that Mr John Ritblat's British Land has bought a stake in Stanhope, a struggling developer, has turned the spotlight on Broadgate, the City of London complex which is Stanhope's main asset.

For a small outlay, Mr Ritblat has won a seat at the negotiating table, from which he intends to gain control of Stanhope's Broadgate assets.

The deal was greeted by analysts as a potentially important deal for British Land. "It looks as though John Ritblat is making sure that he either gets Broadgate through the corporate route, or that he has a ringside seat whenever it goes up for sale," said Mr Chris Turner, director of research at Barclays de Zoete Wedd Securities.

"This is potentially another big hit by British Land," says Mr Robert Fowlds of Kleinwort Benson. "Mr Ritblat is paying a small amount for potentially a slice of a £1bn [$1.48bn] property."

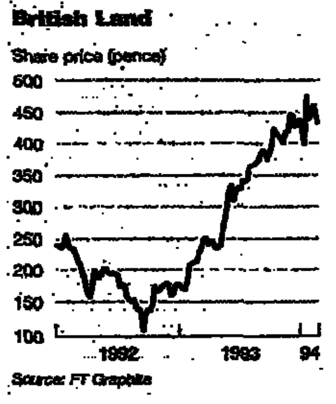
It is not yet clear whether Stanhope will play according to Mr Ritblat's plans, although its alternatives appear limited.

The company responded to the announcement with a statement that it intended "to begin discussions with British Land to seek clarification of its proposals for Stanhope". Stanhope, which has been working on restructuring plans of its own, has previously been unenthusiastic about the prospect of selling off its prize assets in their entirety.

It said it would "continue to assess, on their merits, all the alternatives available to Stanhope, including any proposal which British Land may make".

Stanhope also appeared to query the validity of the stake acquisition by drawing attention to the pre-emption rights belonging to Mr Stuart Lipton, Stanhope's chief executive, by which he would have first refusal on the shares that originally belonged to Olympia & York.

If British Land succeeds in achieving its goal, the prize could be a substantial one. Stanhope owns a half share of Broadgate Properties, which owns six buildings in the Broadgate Development, as well as the 600,000 sq ft Ludgate Development on the western edge of the City of London. It also has pre-emption rights over the other half, which is controlled by the receivers of Rosehaugh.



Source: FT Graphite

Broadgate was one of the largest developments to be built in the 1980s. At a ceremony during the building work in July 1986, Lady Thatcher, the former prime minister, described it as the largest development in the City of London since the Great Fire of London in 1666.

The £2bn development attracted the financial services industry. Its large buildings, constructed to accommodate the computer cabling and air-conditioning needed by large trading floors, succeeded in persuading a workforce of some 20,000 to move to hitherto unfamiliar territory north-east of the City of London.

It was a remarkably ambitious scheme for two small companies. Carried out in partnership with the British Rail Property Board, it was conceived in 1983 by Mr Lipton and Mr Godfrey Bradman, both property entrepreneurs.

The key for such relatively insubstantial companies to build such a large development lay in the use of non-recourse loans – commonplace in the US but new to the UK. These allowed the borrower to confine the security of the loan to specific assets, rather than the parent company.

Despite Broadgate's success in attracting prestigious tenants, it was not enough to cushion its developers from the downturn which hit the industry in 1990. Rosehaugh was one of the first large property companies to signal the coming problems, when it announced a £125m rights issue in 1990. Its losses mounted and in December 1992 the company was put into receivership.

Stanhope has struggled on, courtesy of its bankers. Its net assets fell from £458m in 1990 to a minus £15.8m in June 1993. Asset values have started to appreciate again, but the company has continued to suffer operating losses. Several months ago, it began work on a £160m restructuring plan, which involved raising new funds and merging with its associate Broadgate Properties. Analysts expected to see some results last month, but progress so far has been limited.

British Land said yesterday that it intended to play a role in Stanhope's restructuring plans. Mr Ritblat said, however, that he was not interested in gaining control of Stanhope, or even in having board representation.

In his view, the solution to Stanhope's problems is to sell Broadgate and Ludgate – and in the process offload the large debt they carry. "We want to stabilise Stanhope and provide some some seed capital. We know what we want to do," he said.

Bonds take another tumble

By Conner Middelmann, Terry Byland and John Pitt in London

Europe's bond markets took another tumble yesterday, rattled by strike threats from Germany's largest trade union and by the possibility of further US monetary tightening.

Dealers said most of the selling came from professional traders in the futures markets, while investors were reported to have remained on the sidelines.

Although US markets were closed for a national holiday, traders reported continued selling by US hedge funds, albeit at a less frantic pace than late last week. Hedge funds – private pools of highly leveraged funds – were big buyers of European bonds last year and have recently been reported to be liquidating their holdings.

German government bonds dropped by almost a point after the country's powerful engineering union, IG Metall, said it had called a strike vote in Lower Saxony. Fear of a strike was used as an excuse for further selling amid bearish sentiment. UK gilts fell by more than a point.

The sell-off of European bonds began earlier this month when the US Federal Reserve raised interest rates. Despite last week's round of European interest rate cuts, bond markets remain dogged by fears that the end of the global rally has come.

"It's a case of the end-of-cycle blues," said Mr Graham McDevitt, bond strategist at market analysis firm IDEA.

European equity markets eased under the pressure of falling bond markets and fears of a further decline in Wall Street later today.

In Germany, the Dax index of the 30 most widely traded stocks fell 1.5 per cent, while in France the CAC-40 index slipped 1.6 per cent.

In the UK equity market, the FT-SE 100 index fell 32.3 to 3,350.3, with losses intensified in late trading after reports of the German strike talks. Although trading was subdued by the holiday closure in New York, the London market found difficulty in holding on to the important 3,350 benchmark, which was briefly lost just before the close of business.

Today the markets will be listening for the comments made by Mr Alan Greenspan, chairman of the US Federal Reserve, to Congress.

Lex, Page 20; London SE, Page 31; World stock markets, Back Page

Norsk Hydro sharply ahead at NKr3bn

By Karen Fossli in Oslo

Norsk Hydro, Norway's largest publicly-quoted company, yesterday reported a sharp increase in 1993 profits, helped by lower costs, higher crude oil production and the disposal of the group's 38.3 per cent stake in Freia Marabou, the Norwegian chocolate producer.

It also plans to spend between NKr600m and NKr700m on expanding its three PVC plants. If the plan is adopted later this year annual production of the raw material S-PVC will rise to 400,000 tonnes a year over a four-year period, from the current figure of 265,000 tonnes.

European capacity is almost 6m tonnes a year, and PVC prices have fared relatively well in a petrochemical sector dogged by overcapacity in Europe.

Norsk Hydro's net profits in 1993 advanced to NKr3bn ($403m) – including a pre-tax gain of NKr2.53bn from the Freia disposal – from NKr1.8bn in 1992. Excluding the gain, net profit was NKr1.2bn.

The board proposed lifting the 1993 dividend to NKr3.50 a share from NKr3 in 1992. Group operating profit rose by 37 per cent to NKr4.04bn from NKr3bn as sales increased by NKr4.23n to NKr62.4bn.

"Prices for most of our core products have been very low, but this was largely offset by a higher exchange rate for the US dollar. The improvement was due primarily to lower production costs and higher crude oil production," Mr Egil Myklebust, president, said.

Hydro said the weak international economy and large exports from the former Soviet Union have depressed markets and continue to cause uncertainty, particularly for light metals. Low crude oil prices and continuing structural problems in the European fertiliser industry also represent challenges, it added.

Group financial costs last year were cut to NKr1.94bn from NKr2.62bn a year earlier as foreign exchange losses fell sharply to NKr496m from NKr1.4bn. For the group's core business segments, agriculture swung to an operating profit of NKr481m in 1993 from a loss of NKr215m as sales rose by NKr1.5bn to NKr26.9bn.

The advance was due to significantly lower costs following two years of restructuring, and higher sales volume in Europe. In 1992 Hydro charged accounts with restructuring costs NKr160m, but since 1991 costs have been cut by NKr922m, far above a goal of NKr800m set by the company.

Oil and gas boosted 1993 operating profit by NKr497m to NKr3.15bn as sales rose by NKr1.41bn to NKr14.1bn. Petroleum production increased by 1.1m tonnes of oil equivalent to 9.4m, helped by two new fields being brought on stream.

Light metals, the only one of the group's divisions to suffer a setback, saw operating profits fall NKr92m to NKr453m as sales rose NKr69m to NKr16.3bn. Weaker prices for primary aluminium and lower demand for aluminium extrusions were behind the decline.

Ahold buys US stores group from Promodes

By Ronald van de Krol in Amsterdam

Ahold, the Dutch-based supermarket group which already ranks among the 10 largest food retailers in the US, is to bolster its position in the south-eastern US by acquiring Red Food Stores from Promodes, the French retailing group.

Red Food Stores, with annual sales of $585m, operates 55 grocery stores in eastern Tennessee and Georgia.

When the deal is completed in late April, it will mark Ahold's sixth acquisition of a US supermarket chain since it entered the US market in 1977. The latest purchase will lift its annual US turnover by almost 9 per cent to about Fl 7.25bn ($3.75bn), representing slightly more than half of Ahold's total sales.

Ahold declined to give financial details but said the purchase would be financed out of "available resources". In May the company, which has long been seeking a new US acquisition, raised roughly Fl 450m through a 1-for-10 rights issue.

Away from the US, Ahold has been concentrating its expansion in recent years on Portugal, where it has bought several grocery and hypermarket chains, and the Czech Republic, where it is slowly building up the Mana chain.

The acquisition of Red Food Stores fits the pattern of Ahold's earlier US growth, which has relied on buying supermarkets in contiguous regions to promote partnerships between its chains and to spread the Dutch company's presence across the eastern US.

"We see new opportunities for synergy, benefiting both our customers as well as the bottom line," Mr Robert Zwartendijk, president of Ahold USA, said.

Red Food Stores' base in Tennessee and Georgia is close to that of Ahold's Bi-Lo chain, which operates 187 supermarkets in Georgia, North Carolina and South Carolina.

Ahold's four other US chains cover the eastern US from Virginia to Massachusetts.

Spaniards set for record $300m equity placement

By Tom Burns in Madrid

Fomento de Construcciones y Contratas (FCC), a leading and highly diversified Spanish construction company, is to make the largest ever equity placement by a private Spanish company.

The bulk of the placement, which could raise more than $300m, will be offered to US and UK institutions, with Goldman Sachs, the US bank, leading the US tranche and co-leading the UK and continental Europe tranche with Schroders of the UK. Banco Central Hispano will place a smaller tranche among domestic institutions.

Analysts said FCC's decision could inspire more domestic companies to tap the markets. Large Spanish corporate placements are usually the domain of the public sector, the latest being the utility Endesa which announced a $1.4bn global offering last weekend.

Some 20 per cent of FCC will be offered to the markets which will raise the amount of its shares that are freely traded to 40 per cent, one of the biggest among the domestic construction companies.

The equity being offered is made up of treasury stock, stock owned by FCC's cement subsidiary Valderribas and a portion of the 74 per cent shareholding in FCC that is owned by the Koplowitz family.

In addition to its lead management role, Goldman will act as the global co-ordinator of the placement and the design of the global offering – private placements on two international tranches, one for the US and one for the UK and continental Europe, and a third tranche for domestic institutions – follows closely the pattern that Goldman established when it brought Repsol, the state-owned energy group, to the market last year.

The FCC mandate turns Spain into one of the US bank's leading profit centres. Goldman will be advising Endesa's global offering, which is likely in May, and it could also place another portion of Repsol equity on the market after the summer.

FCC is a holding company with divisions covering construction, cement, property, car parks, waste management, and waste collection and street cleaning. It shares the leadership of the domestic construction industry with Dragados y Construcciones, has a 70 per cent quota of the fast growing waste management sector and is the second largest cement company after Cemex, the Mexican producer which acquired large Spanish cement companies two years ago.

DSW calls for investigation at German group

By David Waller in Frankfurt

The DSW, Germany's small shareholder organisation, has called for a special investigation into the role of the supervisory board at Metallgesellschaft, in addition to that of the management board.

If shareholders reject an investigation at the special shareholders' meeting of the troubled metals, mining and industrial group next Thursday, the DSW would consider going to court to force such a measure, it said yesterday.

At the meeting, Mr Ronaldo Schmitz, the supervisory board chairman, is to defend the supervisory board's role in the events leading up to the dismissal of Mr Heinz Schimmelbusch, the former chief executive, and other boardroom colleagues in December.

Mr Schimmelbusch was sacked for allegedly not informing the supervisory board of developments at MG Corp, the group's US commodities trading subsidiary. Losses there triggered a liquidity crisis which forced the group to turn to bankers for a DM3.4bn rescue package last month.

While the supervisory board is likely to agree to an investigation into the management, it may not want to subject its own decisions to scrutiny. Last week the DSW said it wanted to examine whether lack of internal controls at Metallgesellschaft meant it was impossible for the supervisory board to fulfil its responsibilities.

Daimler-Benz in Swatch car venture talks

By Ariane Genillard in Bonn

Daimler-Benz, the German engineering group which owns Mercedes, will discuss today a possible joint venture with SMH, Swiss maker of the Swatch watch, to develop a small, economical car.

Mr Roland Klein, Daimler-Benz spokesman, confirmed yesterday that a possible collaboration between the two companies was on the agenda as the company's board meets for its usual Tuesday meeting. But he warned that no final decision was yet in sight.

The "Swatchmobile" project has been promoted by Mr Nicolas Hayek, SMH chairman, for several years. Volkswagen was involved, but withdrew in January last year. Volkswagen said then it was under pressure to cut costs and wanted to avoid the heavy investment associated with the project.

Speculation that Daimler-Benz would build the long-awaited Swatch car has recently increased after Mr Helmut Werner, the chairman of Mercedes, said last week in Frankfurt that his company may team up with Swatch. SMH has been talking with various carmakers for about a year.

The new two-seater, environmentally-friendly small car would be a welcome addition to the Mercedes range in the face of increased competition in what is deemed an increasingly important strategic market segment.

German rival carmaker Volkswagen recently announced that its Audi subsidiary would build a small car starting in 1996. And BMW is taking control of the British car producer Rover, which manufactures similar cars.

"Nothing has been decided," a spokeswoman for Swatch said, adding that the group would be making no announcement today. Mr Hayek said recently he expected to name a partner this year.

BCI extends promotion of privatisation plan

By Robert Graham in Rome

The international promotion of the privatisation of Banca Commerciale Italiana (BCI) has moved to continental Europe and the Far East following a roadshow in London yesterday for institutional investors.

Pricing of the issue will be set next Saturday in the wake of the announcement of a 37.8 per cent increase in net profit to L301.2bn ($180m) last year.

The sharp increase in profitability of the group, controlled by IRI, the Italian state holding company, was attributed largely to a turnround in the performance of BCI's Canadian and French subsidiaries.

The results had already been foreshadowed in those of the parent company and during the road-show in the US.

Net interest income was marginally up at L3,430bn from L3,386bn; while non-interest income jumped 89 per cent to L2,100bn. With operating costs of L3,409bn held to a 6.5 per cent rise, group operating profit rose 74 per cent to L1,901bn from L1,088bn.

The group set aside L853bn for possible loan losses compared with L566bn the previous year. Pre-tax profits were L1,163bn against L599bn but BCI was obliged to make substantially increased tax provisions, up from L367bn to L840bn.

At the year end, the group's total assets stood at L134,106bn compared with L128,607bn in 1992. Deposits grew 5.7 per cent to L113,657bn while total cash loans increased 7.5 per cent to L99,232bn.

Euro Disney banks receive audit report

By John Ridding in Paris

The steering committee which represents the creditor banks of Euro Disney, the stricken leisure group, yesterday received an audit of the company's financial situation from KPMG Peat Marwick, the accountancy group.

The report, which clears the way for detailed negotiations between the banks, Euro Disney and Walt Disney, includes an assessment of the commercial strategy being pursued by the loss-making and heavily indebted leisure group.

Negotiations between the various parties are expected to start later this week or next week. Walt Disney, which holds 49 per cent of Euro Disney's equity, has set a deadline of March 31 for the conclusion of negotiations. After that date, it has warned it will no longer provide financial support for Euro Disney.

The negotiations will focus on how the burden of restructuring is to be shared. According to the report, Euro Disney requires a capital injection of up to FFr13bn ($2.17bn) to reduce the burden of its FFr20.3bn of debts.

Walt Disney is pressing the banks to reduce Euro Disney's debts through the combination of a rights issue and a debt for equity swap. But the 60 banks, led by Banque Nationale de Paris and Banque Indosuez, want concessions from the US parent. These include a reduction in royalty payments which amounted to FFr262m last year.

Bikuben returns to the black but cuts payout

By Hilary Barnes in Copenhagen

Bikuben, the savings bank, has cut its annual dividend to DKr5 from DKr6 a share despite moving back into profit after two years of losses.

The group made a pre-tax profit of DKr193m ($28.7m) last year compared with a 1992 loss of DKr1.17bn. Financial income increased to DKr5.54bn from DKr3.67bn and costs were down to DKr2.78bn from DKr2.87bn.

But after bad debt provisions, which rose to DKr2.69bn from DKr1.75bn, there was an operating loss of DKr132m against a 1992 loss of DKr1.09bn. Only extraordinary income of DK325m enabled the savings bank to report a small profit.

Mr Borge Munk Ebbesen, chief executive, described the result as "not satisfactory". Total assets increased to DKr100m from DKr95m and the group said the capital adequacy ratio was 11.1 per cent compared with the Danish minimum level of 9 per cent.

INTERNATIONAL COMPANIES AND FINANCE

Brambles in loss after US write-off

By Nikki Tait in Sydney

A large write-off at its US incineration subsidiary caused Brambles, the Australian transport, equipment hire and waste disposal group, to post a A$313.9m (US$223.9m) loss after tax and outside equity interests in the six months to end-December. In the same period in 1992, it made an A$88m profit.

Even at the operating profit level, Brambles reported lower earnings, with pre-tax profits dropping to A$120.9m from A$141.8m. The equipment services division fell to A$76m from A$93.6m, while earnings from the waste treatment and disposal side dropped to A$3.81m from A$21.3m.

A more cheerful performance was notched up by the transport services division, where earnings rose to A$43.4m from A$33.6m. Group sales were A$1.33bn, against A$1.37bn.

Brambles blamed the "severe economic downturn in Europe and the structural changes in the hazardous waste market in the US" for the poor trading results. The latter problem centres on Environmental Systems Co (Ensco), the US company that Brambles bought in 1992 after a prolonged acquisition process. Since then, Ensco, a high-temperature incinerator operator, has been struggling against competition from cheaper alternatives – notably cement kilns and industrial furnaces.

Yesterday, Brambles admitted this situation was unlikely to go away. "Despite representations by the incineration industry to the US Environmental Protection Agency, there is no evidence at this stage of pending changes to the regulations," it said. These, Brambles claims, allow cement kilns to operate on more favourable terms.

"Although the high-temperature incineration industry might get some relief... in the long term, it is likely that cement kilns will continue to be a permanent feature of the US hazardous waste market."

Accordingly, Brambles is writing off the total value of the goodwill arising from the Ensco acquisition. This and a A$19.6m provision for rationalisation costs in certain European operations led to a A$377m abnormal charge.

The company was more optimistic about its equipment rental and transport activities in continental Europe. These declined sharply in the first half, but "there are signs that the worst may be over with the apparent bottoming of the German economy". It also noted that, in contrast to the US and Europe, the Australian interests had generally performed well during the period.

The company said it expected results to improve during 1994, assuming no further deterioration in Ensco's performance and continued recovery in Europe, Australia and the US. It said that it still expected to maintain dividends, despite the abnormal charges.

CSR puts A$45m into Chinese venture

By Nikki Tait

CSR, the Sydney-based building products and sugar group, is investing A$45m (US$32m) in a new Chinese joint venture which will supply pre-mixed concrete in northern China.

It is the first time the Australian company has made a major commitment to the Chinese market, and its largest foray into Asia to date.

At the outset, CSR will have a 63 per cent interest in the joint-venture company, to be called CSR Tianjin Readymix, with the government-controlled Tianjin Building Materials Supply General Corporation holding the minority interest. The Australian company will make an initial investment of A$23m.

However, when a second stage of the expansion programme is completed in approximately three years' time, CSR's stake will have risen to 75 per cent, and its total investment is expected to amount to A$45m.

The joint venture, to be managed by CSR, will operate a large aggregate quarry and construct four pre-mixed concrete plants close to Tianjin, an industrial centre in northern China and about 140 kilometres south-east of Beijing.

It is scheduled to start supplying the market with concrete – most of which is currently mixed on site in northern China, according to CSR – in August this year. Within the three-year time-frame, sales are forecast to top A$70m, and production should top 750,000 cubic metres of concrete a year. Output from the quarry is expected to treble to 3m tonnes a year.

About 125 concrete trucks should be operational.

CSR is understood to have other Asian projects under consideration.

It recently reached a joint venture agreement to build and operate a A$29m concrete products factory in Taiwan.

Top jobs change for third time at Philippine Airlines

By Jose Galang in Manila

Philippine Airlines (PAL), the national flag carrier, is to carry out senior management changes for the third time since it was privatised 25 months ago.

The revamp, including the appointment of a new president/chief operating officer, is being instigated by PR Holdings, the consortium that acquired 67 per cent of PAL at a public auction in January 1992. Mr Carlos Dominguez, currently chairman and president, is likely to stay as chairman/chief executive officer, but it is thought the task of overseeing day-to-day operations will be assigned to a PR Holdings nominee.

No names have been mentioned yet, and the search will have to be co-ordinated with the government, which owns about 28 per cent.

PR Holdings said that in the nine months to December 1993 unaudited net profits slumped to just 56.9m pesos ($1.4m), from 1.17bn pesos the year before. Revenues had risen by almost 12 per cent but expenses grew by 19 per cent.

PR Holdings is controlled by tobacco-and-banking magnate Mr Lucio Tan, but owing to his relations with former dictator Ferdinand Marcos, the government had refused to allow him to run PAL directly.

At the time of the auction the consortium was headed by Mr Antonio Cojuangco, president of Philippine Long Distance Telephone and a relative of former president Mrs Corazon Aquino. Mr Cojuangco, however, failed to raise enough cash, forcing him to seek the support of Mr Tan.

Mr Dominguez, a former agriculture secretary and bank executive, was picked a year ago by the government to head the airline, after the resolution of a squabble over representation in PR Holdings. The quarrel arose after a discovery that two state banks had put up cash to support PR Holdings' takeover of PAL.

Although the government continues to support Mr Dominguez, there is agreement that he cannot cope with both positions. Late last year, Mr Tan placed a number of his people to key managerial posts.

Over the past few months, Mr Tan has been the subject of state investigations for alleged tax evasion.

At PAL, Mr Dominguez reported that the big drop in net profits had been due to higher maintenance costs, particularly after a decision to contract out to foreign companies the repair of aircraft engines.

If the trend does not change, PAL will suffer its first loss in three years. Monthly losses had been recorded since September and early estimates for January, according to PR Holdings, indicate further red ink.

TNT fills two board positions

By Nikki Tait

TNT, the Australian transportation group, has filled two of the boardroom vacancies created by the resignation of six directors last year.

The company said yesterday that Professor Fred Hilmer and Mr Ian Salmon had been appointed in a non-executive capacity.

The large number of vacancies occurred after Sir Peter Abeles, who played a major part in building up TNT, resigned from the board after policy differences. Other directors in the Abeles camp followed suit.

TNT subsequently indicated that all seats might not be filled, and that the board size would probably shrink.

Professor Hilmer is Dean of the Australian Graduate School of Management in the University of New South Wales, and also an MBA from the Wharton School of Finance in the US. He is a former senior partner of McKinsey & Company, the consultancy firm.

Mr Salmon is managing director of the Australian Mutual Provident Society, one of the country's largest financial institutions.

Suncrush posts fall in sales volumes at halfway stage

By Matthew Curtin in Johannesburg

Suncrush, South Africa's authorised bottler of Coca-Cola and Schweppes soft drinks, suffered a decline in sales volumes in the half-year to December 31 which was masked at the pre-tax level by a sharp improvement in investment receipts.

Although sales revenue improved to R317.4m ($92m) from R296.7m, sales volumes at the Natal-based company shrank 3 per cent as consumption was knocked by a company price increase in January last year, added to a 25 per cent increase in excise tax, the introduction of VAT, sluggish consumer spending and the impact of township violence on Suncrush's market.

Mr Robin Hamilton, chairman, said Suncrush would expect real growth in demand in the current six months were it not for the uncertainty surrounding the country's first non-racial elections in April. He said: "Question marks must hang over business prospects around the election, with the probability of political stayaways hitting consumption of our products and productivity at our plants."

Operating income rose to R53.1m from R49.1m before investment income improved to R5.46m from R2.8m and interest charges declined to R1.2m from R4.07m. Pre-tax profit jumped to R57.3m from R47.8m. Distributable profit rose by nearly 30 per cent to R38.1m, equivalent to 25.5 cents against 22 cents a share, after the company's 50-for-one share split in late 1993.

The interim dividend is raised to 4 cents from 3.4 cents.

Kersaf first-half profit up 15%

By Matthew Curtin

Strong performances from its hotel, casino and cinema interests boosted interim results at Kersaf Investments, the South African-based leisure group. Pre-tax profit advanced 15 per cent to R233.9m ($67.7m) from R202.9m in the half-year to December 31.

Earnings improved 13 per cent to 119 cents a share, but the interim dividend is increased by only 3 cents to 69 cents, covered 1.7 times against 1.6 times last year.

Mr Buddy Hawton, executive chairman, said the increase in retained earnings stemmed from "traditionally inadequate" dividend cover, which needed to be raised for further investments and to run down long-term debt. He said Kersaf's focus on the entertainments business left it vulnerable to political instability ahead of elections in April, hence the need to be prudent.

In addition, the group's acquisition of the City Lodge hotel chain in December, settled by issuing new scrip, meant the group would be servicing more shares. Mr Hawton said it was difficult to be more optimistic than to predict satisfactory growth by year-end in the current political climate.

The 20 per cent increase in turnover to R1.18bn from R999.6m reflected the strong interim showing by Sun International, in which Kersaf has an 80 per cent stake.

Operating profit rose to R256.7m from R210.7m, before a rise in net borrowing costs to R22.8m from R7.8m. Income from associates improved to R42.5m from R36.8m, and after-tax profit climbed to R224.1m from R189.5m.

NEWS DIGEST

Revamp for United Westburne

United Westburne, the North American plumbing, heating and electrical equipment wholesaler, plans a C$38m (US$28m) restructuring to restore profitability, writes Robert Gibbens in Montreal.

Westburne, controlled by France's Lyonnaise des Eaux-Dumez, cut back in 1991-92 because of the broad construction slowdown. It cut staff by 1,000 and sold a US division. But recovery has been slow, mainly because of the construction slump in eastern Canada.

Mr Robert Chevrier, recently appointed chief executive, said 350 jobs would go and the Burlington warehouse near Toronto closed. A C$18.5m special charge will be taken to cover the expenses. Other warehouses may be closed and some transport services contracted out.

He said Westburne would report operating net profit of C$4.5m for 1993 but a final loss of C$29.8m after special charges. In 1992 the loss was C$10.8m, or 29 cents a share, on revenues of C$2.1bn.

Aberfoyle to raise A$82m

Aberfoyle, the Australian mining company, has passed the interim dividend and launched an A$82.3m one-for-four rights issue after staying in the red in the six months to December, writes Bruce Jacques in Sydney.

Higher output and improved lead and zinc prices helped the company to a 31 per cent sales boost to A$55.2m (US$39.4m). Its loss for the half was reduced to A$2.6m from $A5.8m.

Depreciation provision eased to A$6.9m from A$7.8m and exploration write-offs fell to A$7.9m from A$8.7m. New shares will be issued at A$4.35 each.

Indian drug group to offer GDRs

Wockhardt, an Indian pharmaceutical and healthcare company, announced it is launching a $75m offering of global depositary receipts (GDRs), writes Sara Webb.

Wockhardt is the first Indian company in the pharmaceutical sector to launch an international equity offering. The proceeds will be used to finance the expansion of various business areas, including the construction of a new bulk drug manufacturing plant and a new pesticides manufacturing plant. BZW is lead manager for the international offering.

Jindal Photo plans Euro issue

Jindal Photo Films, India's biggest manufacturer of photographic products, said it would float an $85m Euro issue in May 1994 to fund expansion, Reuter reports from New Delhi. A company statement gave no details on what type of issue the company intended, and company officials were unavailable for comment.

The statement said Jindal, which has a marketing and technical tie-up with Japan's Fuji Photo, aimed to set up new laboratories and expand capacity at its plant north of Bombay. It also planned to build an export-oriented unit.

Daiei forges import buying link with trader

By William Dawkins in Tokyo

Daiei, Japan's largest supermarket chain, has formed an import buying partnership with Marubeni, a general trading company, the first tie-up between a leading Japanese trader and retailer.

Marubeni is to help Daiei, a pioneer in Japan's embryonic discount shopping industry, obtain access to cheap foreign goods such as food, clothing and sports goods, for sale in Daiei's stores.

This is the latest stage in the strategy of Mr Isao Nakauchi, Daiei's chairman, to make use of the yen's strength to pass on discounts to customers.

Daiei is also understood to be seeking a similar alliance to develop cheap cosmetics with a Japanese maker of beauty goods.

The Marubeni accord, to take effect from April, is expected to lead to a more than threefold rise in Marubeni's sales to Daiei to Y100bn ($959m) in the next two to three years, representing 5 per cent of Daiei's estimated sales this year. Food will form a large part of the first transactions, including chicken from China, Brazilian coffee and Alaskan fish.

This is part of Daiei's continuing efforts to bypass Japan's multilayered distribution system. The costs imposed by many layers of middlemen contribute to the fact that Japan's grocery prices are roughly twice US levels.

A representative basket of 30 goods cost the equivalent of $138 in Japan and $68 in the US at 1992 exchange rates, according to Daiei's estimates.

However, previous Daiei alliances have sometimes lacked substance, warned Mr Dean Perry, retail analyst at Lehman Brothers in Tokyo.

Last month, Daiei announced a "broad-ranging" tie-up with Ajinomoto, Japan's largest food processor, to gain access to low cost domestic and foreign food.

● Overall earnings for the six months to August at the leading Japanese supermarkets sagged. At the halfway stage Daiei along with other Japanese stores, such as Ito-Yokado, and Jusco, all suffered declines in profits, and they were pessimistic on prospects for the full year.

Daiei said last October that its parent pre-tax profit fell 8.4 per cent in the first half of the year, as a rise in operating costs outpaced a sales pick-up.

Consumers' champion in the Japanese high street

William Dawkins examines the innovative approach of the leading supermarket chain's founder

Isao Nakauchi, a blunt talking baseball fan and former street trader, is doing more than almost anybody in Japan to change people's daily lives.

He is doing so partly as one of Prime Minister Morihiro Hosokawa's top private sector advisers on the government's campaign to sweep away retail and distribution regulations, to stimulate the comatose economy, and ward off threatened US trade retaliation.

But Mr Nakauchi, 71, is best known to millions of Japanese consumers through the profound changes in high street shopping he has pioneered as founder of Daiei, Japan's only national supermarket chain.

Mr Nakauchi predicts the prices of most goods sold in his supermarkets will halve, to US levels in dollar terms, but this will take almost 20 years. Japan's retail market has already become free enough for deregulation to gain its own momentum, pushed by foreign competition, he believes.

Daiei, which started life as a corner store in 1957, has led a slow campaign against countless middlemen, suppliers and sometimes bureaucracy, to nibble away at Japan's notoriously high prices and introduce new ways of shopping.

Its innovations include Japan's first own-brands in 1978 and the first wholesale warehouse club outside the US, opened in Kobe 18 months ago. While Daiei is not the heaviest discounter in today's price battles in Japanese retailing, it led the first rounds of the war.

Its acquisition last year of three regional supermarket chains has speeded up the rationalisation of Japan's overcrowded retail industry, eroding the dominance of the small corner store which forms a picturesque but overpriced staple of urban community life.

Like his shops, Mr Nakauchi's personal style challenges the run of the mill. The corridor outside his office, for example, is lined with 75 historic cash registers, instead of the badly hung Impressionist masterpieces usually found in Tokyo corporate headquarters.

The difference in style expresses a difference in conviction. Unlike most of his colleagues in the Keidanren business federation, devoted to defending the interests of big industrial producers, Mr Nakauchi made his fortune by pursuing consumers' interests.

He got his first job after the war in his father's small town chemist shop, and founded the first small shop of his own outside a railway station in Osaka, rather than joining the bottom rung of the salaryman's corporate ladder, the usual way to the top.

Mr Nakauchi befriended Mr Hosokawa after Daiei bought

Isao Nakauchi: personal style challenges run of the mill

melons and grapes from Kumamoto prefecture during the future prime minister's period as governor there from 1983 to 1991.

Daiei's patronage was a valuable boon to Kumamoto, since the nearly 10,000 stores it owns or manages under its own and other names take a 4 per cent to 5 per cent national market share in most products.

Daiei's turnover of just over Y2,000bn ($19bn) in the year to last February, on which it made Y24bn taxable profit, makes it slightly larger than Sainsbury, the UK supermarket chain.

This might explain why the equally straight talking Mr Hosokawa turned to Mr Nakauchi for advice on deregulation in the retailing industry.

Mr Nakauchi's report pointed out that Japan's chain stores would save nearly Y52bn annually if the government scrapped the 42 permits required to open a supermarket. Why, asked Mr Nakauchi's report, is it necessary to have separate permits to sell meat, milk, tofu and soft ice cream? Another is needed to operate a dry cleaning service and yet another to sell thermometers.

Small shopkeepers have staunchly opposed deregulation since the web of rules has provided them with valuable protection from competition.

Until recently, they were helped by their ties with the Liberal Democratic Party, which ran Japan for an unbroken 38 years until its election defeat last July.

The break-up of the LDP is one factor to lighten small retailers' former political clout. Another, says Mr Nakauchi, is the ageing of the current generation of shopkeepers. Unlike Mr Nakauchi's two sons, both senior managers in Daiei, ambitious young people now see no future in joining their shopkeeping parents' business, he says.

All this points to dramatic change in the high street. Mr Nakauchi believes half of Japan's 1.5m shops will go out of business.

It will, in line with his theory of gradual change, be a slow process, taking until the middle of next century. But it will be inevitable, says Mr Nakauchi. He cannot see how Japan's retailing industry can sustain twice as many shops per head – 12 for every 1,000 people – as the US.

Neighbourhood retailers will then broadly divide into supermarkets and convenience stores, "so long as they are really convenient," he says. Daiei itself neatly captures both sides of Mr Nakauchi's vision of retailing, with 225 Daiei supermarkets and nearly 5,000 Lawson convenience stores.

He dismisses suggestions that the social cost of closing 750,000 shops will create a backlash. The process will take such a long time, perhaps 50 years, the lost jobs will be mopped up by service and leisure businesses, Mr Nakauchi predicts.

Again, the shape of Daiei's own business deliberately reflects this, with its investments in hotels, consumer finance and even a baseball stadium, to house Mr Nakauchi's own team, the Fukuoka Daiei Hawks.

Contrary to some other businessmen's attempts to dabble in field sports, Daiei's baseball projects are turning a healthy profit, despite the recession and the Hawks poor performance in the professional leagues.

Mr Nakauchi has no plans to export the Daiei formula. His thoughts are more of learning from foreign retailers. He cites as his models Kmart of the US and Britain's Marks and Spencer, because of their devotion to value for money.

He laughs when he is reminded that Baroness Thatcher, the former UK prime minister, is among Marks and Spencer's customers. Does Mr Hosokawa shop at Daiei? "I don't know, but I certainly hope so," says Mr Nakauchi.

Placer commissions study on gold mine property

By Bernard Simon in Toronto

Placer Dome, the international gold producer, expects to decide within the next 12 months whether to press ahead with construction of a gold mine on the rich Las Cristinas deposit in north-east Venezuela.

The Vancouver-based company said yesterday it had approved a US$13m feasibility study on the property which, according to initial studies, contains about 7.7m ounces of gold.

Placer's 70 per cent share of Las Cristinas is equal to almost 60 per cent of current reserves at its 17 operating mines in North and South America and Australasia.

Placer also reported a slight drop in 1993 earnings, but a 44 per cent jump in fourth-quarter income. The latter was largely due to gains from the sale of investments and favourable tax adjustments.

Earnings for the year were US$107m, or 45 cents a share, down from $111m, or 47 cents a share, in 1992. Sales dipped to $917m from $1.02bn.

Placer's share of gold output totalled 1.83m ounces, down from 1.95m ounces. Average cash production costs edged down to $184 from $189 per ounce.

Quaker Oats sees strong second half

Quaker Oats, the US foods group, predicted that its second-half earnings per share would be "up strongly" on good volume growth in the US, AP-DJ reports.

"We expect margins in the US to continue improving, to 13 per cent for the year, while our international margins will be flat," said Mr Philip Marineau, president and chief operating officer.

Mr Marineau said that, despite disappointing fiscal first-quarter earnings, the company was on track to "achieve our target of 7 per cent real earnings growth for fiscal 1994".

Finmeccanica in talks on McDonnell Douglas link

Finmeccanica, the Italian state engineering group, is considering possible shareholding links with McDonnell Douglas, the US aerospace group, according to Italian newspapers, Reuter reports from Rome.

A spokesman for Finmeccanica's parent Istituto per la Ricostruzione Industriale declined detailed comment on a report in La Repubblica that the Italian group was planning to buy a stake of up to 20 per cent in the US group.

Finmeccanica confirmed that talks were being held but that there had been no discussion on the size of any possible holding.

The IRI spokesman added that a recent IRI board meeting gave the go-ahead to Finmeccanica to hold talks with McDonnell Douglas, but declined to elaborate on the purpose of the negotiations.

Earlier this month, Flight International magazine reported Finmeccanica was considering buying a 10-20 per cent stake in the US group's Douglas Aircraft subsidiary.

Finmeccanica last week agreed to buy eight defence and aerospace firms controlled by Efim, Italy's third state holding group which collapsed in 1992. Finmeccanica is part of the ATR consortium which makes medium-range commuter jets.

Merrill Lynch to trade in gilts

By Sara Webb

Merrill Lynch, the US Securities house which pulled out of dealing in UK government bonds (gilts) in 1989 after incurring heavy losses, said yesterday that it had won approval from the Bank of England to start dealing in gilts again with effect from February 28.

Merrill was one of several foreign houses to pull out of the gilt market in the late-1980s, a time when the various gilt-edged market makers – known as Gemms – faced tough competition in an overcrowded market.

Merrill had incurred accumulated losses of more than £20m ($29.2m) by 1989, following the Big Bang reorganisation of the gilt market in 1986.

However, conditions in the gilt market have improved dramatically for the Gemms in recent years: the UK government started to borrow again in the gilt market, issuing large, liquid gilt issues, and inflation was brought under control again, allowing interest rates to decline.

Combined operating profits for the Gemms have risen and reached bumper levels in 1992 and 1993, according to figures compiled by the Bank of England. While the Gemms made a total operating loss of £190m between October 1986 and the end of 1988, combined profits soared to £64m in 1992 and were £59m last year.

The more favourable trading environment has encouraged speculation that other houses may be considering applying for Gemm status. Hoare Govett recently hired Mr Chris Anthony, a gilt analyst at UBS, leading to speculation that it would seek permission to set up as a Gemm. Other houses frequently rumoured to be considering applying for Gemm status include Chemical Bank, Société Générale, and Morgan Stanley. After Big Bang, 12 market-makers pulled out of gilts either because the business was no longer profitable or because they were taken over by another house.

INTERNATIONAL CAPITAL MARKETS

Germany leads continued slide in European prices

By Conner Middelmann

In the wake of Friday's slide, Europe's bond markets continued to tumble yesterday, led by heavy selling in the German government bond market.

Although US markets were closed for a holiday, traders reported continued selling by US hedge funds, albeit at a less frantic pace than last week.

Bond traders today will keenly await US Federal Reserve chairman Alan Greenspan's Humphrey-Hawkins testimony, weighing his words for hints of further tightening.

"Everyone is petrified of another tightening," said Graham McDevitt, bond strategist with market analysts IDEA.

The slide in European bonds began earlier this month when the Fed surprised markets with a small rise in rates and bonds have not regained their poise in spite of last week's round of European rate cuts.

While many observers agree that most European bond markets are now heavily oversold, investors remain side-lined, awaiting buying opportunities at even lower levels.

"Markets are so volatile, it would be prudent to let the air clear before getting back in," said Mr Richard Woodworth, head of economic and bond research at Merrill Lynch. "I would not recommend testing the waters at this time."

However, others said the market recovery, when it comes, could be so fast that buyers might miss the boat.

"When the market does turn around, it'll be an extremely powerful rebound," said Mr Karl Haeling, head of Deutsche Bank's futures and options group.

GOVERNMENT BONDS

■ After weakening steadily throughout the morning, bunds were were knocked sharply lower in the afternoon when Germany's engineering union IG Metall said it had called a strike vote from March 1-3 in the northern state of Lower Saxony. If approved, a strike could begin on March 7, and could spread to other parts of northern Germany, the union warned.

Fears of another bad M3 money supply number also put pressure on bunds, with talk of a January rate of between 7 and 10 per cent – well above the Bundesbank's target range – rattling the market. German January M3 and February inflation data should be released this week.

"We are having a bear panic – there are still a lot of sellers with long positions left from last year's rally, and I see no one who is willing to buy," said a senior futures dealer in Frankfurt. "It's purely psychological and has very little to do with fundamentals," he added.

The March bund futures contract closed at 97.49, down 0.69 points on the day but off its 97.21 intra-day low.

■ French government bonds also fell sharply, dragged lower by bunds but also pressured by disappointment that the Bank of France left interest rates unchanged at its latest repo operation. Traders now are pinning their hopes on Thursday's repo, which is also the day the French central bank's policy-making council meets. But given that the Bundesbank left its key repo rate unchanged last week, some say there is little chance of a French rate cut.

The March notional bond futures contract on Matif fell 0.64 points to 127.52.

■ Gilts followed the rest of Europe lower, with the long gilt future dropping by $1\frac{3}{32}$ points to 114¼, up from its low of 114.

Despite widespread nervousness, most participants appeared confident that tomorrow's auction of 7 per cent gilts due 2001 will go relatively smoothly. "Its saving grace is that it's only £2.5bn and it's partly-paid," said Mr John Shepperd, chief economist at Yamaichi International.

See Lex

Oman fund to invest in Muscat exchange

By James Whittington in Amman

The foreign investment drive into emerging stock markets has begum to focus on the oil-rich region of the Gulf with the launch next month of a $45m Oman fund which will invest in the Muscat stock market.

The Oryx Fund will be jointly managed by London-based Blakeney Management and the Oman National Insurance Company in Muscat.

The fund will be registered in Oman and stock market listings are being sought in both London and Muscat.

Initially, 51 per cent of the capital will be raised in Oman and the balance internationally – in line with Omani foreign investment law.

Al Ahlia Portfolio Company in Muscat will manage the Omani issue and Baring Securities the foreign portion.

The fund will have exclusive access to the Muscat stock exchange, as the only fund with foreign shareholders, for a minimum of six months.

"The fund will be the first vehicle for non-Arab investors to enter any of the Gulf stock markets," says Mr Miles Morland of Blakeney Consultants.

Of the six member states of the Gulf Co-operation Council, only Oman and, to a limited extent, Bahrain permit foreign investors to participate in local equity trading.

Other Arab bourses allowing non-Arab participants are Morocco, Tunisia, Jordan and nominally Egypt.

Mr Morland said that the Oryx Fund will eventually expand to include other emerging markets in the Arab world.

Last year the Muscat stock exchange had a turnover of around $200m. It has 62 listed stocks and is capitalised at around $1.5bn.

This compares with a capitalisation of $10bn for the United Arab Emirates stock market and $50bn for Saudi Arabia, both of which are closed to foreign investors.

Oman is going through a period of rapid economic change. The government is diversifying the economy away from the oil sector and promoting non-oil commercial activities.

A widespread programme of privatisation of state holdings and an opening-up of the economy to outside investment also aim to boost private sector activities.

Oman's trading links with Iran and good political relations with other neighbouring countries, including Iraq, place Muscat in an ideal position for rapid growth.

"It is a classic emerging market story," says Mr Morland.

Brazil sees more foreign investment

Foreigners invested a net $5.47bn in Brazilian capital markets in 1993, almost five times the inward flow in 1992, Reuter reports from Sao Paulo.

The Securities and Exchange Commission (CVM) said capital inflows under the Annex IV rules, which regulate foreign investment in capital markets, totalled $14.6bn, while outflows were $9.12bn. Brazilian markets received a net $1.21bn from abroad in 1992.

The CVM said foreigners invested a net $1.008bn in January, almost four times the amount in same month last year.

Of these funds, 82 per cent were invested in stocks, 16 per cent in debentures, 1.4 per cent in privatisation paper and 0.16 per cent in fixed-income funds.

Chase Manhattan Bank managed the largest foreign portfolio through Annex IV with a total $3.53bn, followed by Banco Garantia, Citibank, Banco de Boston and Banco Pactual, the commission said.

Borrowers play safe with floating-rate note issues

By Antonia Sharpe

Most of yesterday's supply of new issues in the Eurobond market came in the defensive form of floating-rate notes (FRNs) as the persistent weakness in government bond markets deterred issuers and underwriters alike from committing themselves to fixed-rate offerings.

Officials at the Asian Development Bank were said to be anxiously waiting for a stabilisation in the markets so they could launch their first offering of global bonds. The market had expected the proposed $750m transaction, which will be jointly led by IBJ International and Salomon Brothers, to surface tomorrow but now believes it will not appear until later in the week. The African Development Bank is also likely to tap the Eurodollar sector for around $500m when market conditions improve.

INTERNATIONAL BONDS

Among yesterday's issues, UCB Group, a subsidiary of Compagnie Bancaire of France, raised £500m through an offering of mortgage-backed FRNs through a special-purpose vehicle called Leo 2. UCB performed a similar securitisation last year. Lead manager JP Morgan said the deal was the largest offering of sterling-denominated mortgage-backed notes to date.

JP Morgan said the notes sold out quickly as investors were attracted by their relatively high yields. The discounted margin on the notes with an average life of 1.4 years is 18 basis points over the London interbank offered rate while the discounted margin on the notes with an average life of 5.1 years is 30 basis points over Libor.

Woolwich Building Society also tapped the Eurosterling sector with a £200m offering of five-year FRNs which yielded 15 basis points over Libor. Lead manager UBS said the offering injected fresh liquidity into the sterling FRN market where issuers had called more than £1bn worth of paper since the new year.

Elsewhere, Toyota Motor Credit Corp, whose triple-A rating was affirmed by Standard & Poor's earlier this month, raised SFr150m through an offering of six-year FRNs. Lead manager SBC said the offering, Toyota's first public transaction in the Swiss bond market, was targeted at retail investors interested in intermediate maturities.

The notes, which carry a first coupon of 4 per cent and then Libor minus 20 basis points thereafter, had an issue price of 100% and were quoted at minus ⅜ point in the afternoon, within fees of ⅜ point.

● The Kingdom of Sweden has appointed a permanent dealer group to its $10bn debt issuance programme. They are Goldman Sachs, Merrill Lynch and Morgan Stanley, the arranger of the programme.

● The Sydney Futures Exchange is planning to list flexible options, a derivatives product introduced by the Chicago Board Options Exchange last year, Reuter reports.

The flexible option was the industry's most successful product launched in 1993 and has been widely accepted by derivatives participants as complementary to the fast growing over-the-counter markets, the SFE said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
STERLING							
Leo 2, Tranche A1(a,b)‡	187	(c)	99.98R	Apr.2032	0.10R	-	JP Morgan Securities
Leo 2, Tranche A2(a,d)‡	313	(e)	99.78R	Apr.2032	0.20R	-	JP Morgan Securities
Woolwich Building Society‡	200	(f)	99.89R	Mar.1999	0.1875R	-	UBS
GUILDERS							
Koninklijke Nedlloyd Groep(g)§	400	(4¼-4¾)	100.00	Mar.2001	2.50	-	ABN Amro/ Goldman Sachs
AUSTRALIAN DOLLARS							
Hongkong Bank of Australia	100	6.625	99.28R	Mar.1999	0.25R	-	Wardley
SWISS FRANCS							
Toyota Motor Credit Corp.‡	150	(h)	100.625	Mar.2000	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Mortgage backed deal. Short 1st coupon. Class B subordinated notes privately placed. b) Callable on any coupon date from 1/10/97 at par. Average life 1.41 yrs. c) 3-mth Libor +0.15% to 1/10/97 and +0.3% thereafter. d) Callable on any coupon date from 1/1/00 at par. Average life 5.15 yrs. e) 3-mth Libor +¼% to 1/1/00 and +½% thereafter. f) 3-mth Libor +⅛%. g) Conv premium indicated at 15-20%. Callable from 15/3/97. h) 4% fxd for 1st 6 mths and 6-mth Libor -0.2% thereafter.

Indosat plans US or UK float

PT Indosat, Indonesia's international telecommunications company, plans a flotation of its shares in London or New York, Reuter reports from Jakarta.

This will be the the first state company to make such a move, according to finance minister, Mar'ie Muhammad.

He said that Indosat would be listed in Jakarta but most of the shares would be offered overseas.

No date was given for the offer but "Indosat . . . will be given the first opportunity to go international," he said.

Other state companies likely to be listed overseas include Garuda Indonesia, the national airline, and PT Telecom, the domestic telecommunications company.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	117.6800	-0.910	6.72	6.31	6.30
Belgium		7.250	04/04	102.2500	-0.850	6.93	6.63	6.60
Canada *		6.500	06/04	96.8000	-1.250	6.94	6.59	6.40
Denmark		7.000	12/04	103.8700	-0.480	6.49	6.21	6.03
France	BTAN	8.000	05/98	109.2300	+0.010	5.42	5.35	5.12
	OAT	5.500	04/04	95.6000	-0.500	6.09	5.89	5.70
Germany		6.000	09/03	99.8500	-0.480	6.01	5.80	5.73
Italy		8.500	01/04	99.0630	-0.057	8.64†	8.29	8.40
Japan	No 119	4.800	06/99	108.2700	-0.011	3.00	3.04	2.85
	No 157	4.500	06/03	105.6900	-0.003	3.58	3.45	3.33
Netherlands		5.750	01/04	96.0000	-0.680	6.02	5.84	5.67
Spain		10.500	10/03	112.9500	-1.850	8.47	7.95	7.87
UK Gilts		6.000	08/99	99-21	-12/32	6.08	5.85	5.70
		6.750	11/04	98-22	-31/32	6.80	6.58	6.10
		9.000	10/08	117-23	-41/32	7.04	6.86	6.45
US Treasury		5.875	02/04	-	-	6.05	5.94	5.69
		6.250	08/23	-	-	6.61	6.42	6.29
ECU (French Govt)		6.000	04/04	97.1000	-0.530	6.39	6.13	5.97

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

4pm (Feb 18)

		Treasury Bills and Bond Yields			
		One month	3.17	Three year	4.83
		Two month	3.24	Five year	5.53
Prime rate	6	Three month	3.36	10-year	6.06
Broker loan rate	5	Six month	3.59	30-year	6.63
Fed.funds	3½	One year	3.91		
Fed.funds at intervention	-	Two year	4.54		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	127.74	127.52	-0.64	127.94	127.52	206,537	164,312
Jun	127.32	127.10	-0.62	127.50	127.10	8,840	27,682
Sep	126.58	126.36	-0.62	126.70	126.58	1,405	7,546

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
127	0.88	1.30	1.32	0.14	1.19	1.87
128	0.12	0.85	-	0.57	1.66	-
129	0.03	0.52	-	1.48	2.31	-
130	0.01	0.28	-	2.47	-	-
131	0.01	0.15	-	3.48	3.95	-

Est. vol. total, Calls 34,370 Puts 51,157 . Previous day's open int., Calls 344,700 Puts 347,090.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.83	97.38	-0.80	97.99	97.21	208418	211104
Jun	97.72	97.24	-0.83	97.83	97.09	11449	18693
Sep			0			0	0

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
9700	0.38	1.14	0	0.90
9750	0	0.89	0.12	1.15
9800	0	0.68	0.62	1.44

Est. vol. total, Calls 22143 Puts 41706. Previous day's open int., Calls 322902 Puts 227429

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.78	101.56	-0.45	101.85	101.52	927	9631
Jun	-	101.75	-0.44	-	-	0	100

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	114.90	114.56	-0.80	115.48	114.35	56032	81398
Jun	115.00	114.58	-0.81	115.50	114.39	3922	14494
Sep	-	114.69	-	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11450	2.16	3.00	2.08	2.81
11500	1.92	2.75	2.34	3.07
11550	1.69	2.53	2.61	3.34

Est. vol. total, Calls 9654 Puts 1532. Previous day's open int., Calls 12447 Puts 12254

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	104.10	102.93	-1.38	104.10	102.83	75,772	113,819
Jun	103.66	102.85	-1.38	103.66	103.00	6,172	18,666

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	114-31	114-11	-1-08	115-15	114-00	98859	141792
Jun	114-05	113-18	-1-07	114-17	113-11	17212	16228

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
114	0-22	1-38	0	2-02
115	0	1-12	0-42	2-40
116	0	0-55	1-42	3-19

Est. vol. total, Calls 2222 Puts 9816. Previous day's open int., Calls 130165 Puts 77830

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	119.00	118.86	-0.58	119.12	118.84	4,672	15,198
Jun	-	93.96	-0.58	-	-	-	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	113-16	112-21	-0-28	113-27	112-07	696,592	299,092
Jun	112-16	111-20	-0-28	112-24	111-05	26,827	42,952
Sep	111-19	110-23	-0-28	111-27	110-11	874	33,519

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	113.50	-	-	113.53	113.16	526	0
Jun	112.25	-	-	112.25	111.88	2096	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 21	Day's change %	Fri Feb 18	Accrued interest	xd adj. ytd
1 Up to 5 years (25)	127.86	-0.19	128.94	1.35	2.07
2 5-15 years (24)	156.56	-0.82	157.85	1.76	2.82
3 Over 15 years (8)	178.30	-1.31	180.67	0.20	3.53
4 Irredeemables (6)	215.81	-0.96	217.90	3.32	0.00
5 All stocks (63)	151.85	-0.72	153.24	1.41	2.55
Index-linked					
6 Up to 5 years (2)	189.36	-0.11	189.56	0.55	1.41
7 Over 5 years (11)	185.42	-0.89	187.10	0.69	0.79
8 All stocks (13)	184.92	-0.81	186.43	0.67	0.85
Debentures and Loans					
9 Debs & Loans (68)	151.87	-0.87	153.20	2.37	1.86

	Low coupon yield Feb 21	Low Feb 18	Low Yr. ago	Medium coupon yield Feb 21	Medium Feb 18	Medium Yr. ago	High coupon yield Feb 21	High Feb 18	High Yr. ago
5 yrs	6.08	5.92	6.62	6.28	6.18	6.88	6.38	6.29	7.05
15 yrs	6.88	6.77	7.82	7.03	6.89	8.31	7.20	7.07	8.57
20 yrs	6.97	6.88	8.11	7.03	6.89	8.48	7.22	7.09	8.65
Irred.†	7.02	6.95	8.55						

	Inflation 5% Feb 21	Feb 18	Yr. ago	Inflation 10% Feb 21	Feb 18	Yr. ago
Up to 5 yrs	2.22	2.17	2.01	1.29	1.24	1.13
Over 5 yrs	3.15	3.09	3.50	2.96	2.90	3.31

	5 year yield Feb 21	Feb 18	Yr. ago	15 year yield Feb 21	Feb 18	Yr. ago	25 year yield Feb 21	Feb 18	Yr. ago
Debs & Loans	7.84	7.74	8.61	7.97	7.86	9.41	8.03	7.93	9.83

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 21	Feb 18	Feb 17	Feb 16	Feb 15	Yr ago	High*	Low*
Govt. Secs. (UK)	103.19	103.98	104.44	104.21	103.85	98.57	107.60	93.28
Fixed Interest	127.42	128.21	128.33	128.10	127.77	112.25	133.87	108.87

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14
Gilt Edged bargains	95.7	110.2	103.2	99.8	100.5
5-day average	101.9	107.1	109.4	114.2	122.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 21

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OTHER STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate ([illegible]) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
Shorts* (Lives up to Five Years)						
Treas 14½pc 1994‡‡	14.50	-	100xd	—	103¾	100
Exch 13½pc 1994	13.30	4.94	101½	-1/16	[illegible]	101½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
10pc 2003	8.23	6.92	[illegible]	[illegible]	[illegible]	[illegible]
Treas 11½pc 2001-4	9.17	6.91	[illegible]	[illegible]	[illegible]	[illegible]
Funding 3½pc '99-4	4.32	6.00	81	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or -	1993/94 High	1993/94 Low
Index-Linked (b)						
Treas. 2pc '94 (102.9)	-	-	137¼	—	137¼	131⅝
2pc '96 (67.9)	0.98	2.03	[illegible]	[illegible]	204½	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Int	Red	Price £	+ or -	1993/94 High	1993/94 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

ROVER AND HONDA: GOING THEIR OWN WAYS

The loss of its Japanese partner does not necessarily present a significant setback for the UK carmaker

Capable of producing from the ground up

By John Griffiths

A critical question faces Rover Group. How will it survive without Honda's technology and expertise in the wake of their failed relationship?

Rover has 2,000 design, development and engineering staff. It has the capability to take a car from first concept on a computer screen to production, with no outside help. This capability includes the design, development and production of engines and gearboxes.

Senior Rover executives insist that this capability has not been utilised to the full during the period of Rover's 15-year partnership with Honda, for straightforward commercial reasons rather than for any lack of technical ability.

There is no logic, they maintain, in Rover developing wholly separate vehicles or powertrains for market slots that can be occupied perfectly adequately by shared development models enjoying good economies of scale.

And Rover's full technical capability will in any case be amply demonstrated in new, as-yet secret, models already scheduled for production and in which Honda has played no part, according to Mr John Towers, Rover's chief executive.

That such core expertise has been retained by Rover is easily overlooked, however, given that the UK car maker being sold to BMW appears to have been so overwhelmingly dependent on Honda.

Two of Rover's key model ranges, the 600 and 200/400 saloons, are the subject of simple licensing agreements with Honda or are joint developments, while a key Rover gearbox is also a Honda design made under licence. All the licence agreements can be terminated by Honda at three months' notice.

Mr Bernd Pischetsrieder, BMW's chairman, has indicated that BMW will be more than willing to place some of BMW's own 6,000 engineers at Rover's disposal as future new model plans develop without Honda.

"6,000 BMW engineers? – I don't know what we'd do with them," said one Rover executive yesterday. "We are fully capable of seeing through our new car projects."

Where Rover executives and engineers, many of whom regret the loss of Honda as a long-term partner, do see major benefits in BMW's ownership is in the financial resources that they expect to be made available.

Currently Rover spends some £200m a year on new model development, bringing cars into production and upgrading or maintaining plant and equipment to build them.

This is a very small amount by mainstream motor industry standards, and Mr Pischetsrieder has indicated that he would expect to see Rover increase it to at least 7 per cent of its £4.3bn of annual sales, or slightly more than £300m a year.

ROVER AND HONDA: THE MAIN LINKS

Type of agreement	Example	Status
Equity holdings	Honda has 20% stake in Rover Cars Rover has 20% stake in Honda (UK)	Honda selling to BMW BMW selling to Honda
Licensing	Honda car designs: Rover 200, 400, 600 and 800	Can be broken on 3-months notice; Honda to negotiate with BMW
	Honda component designs: eg Gearbox for 2-litre Rover engines	As above
	Honda has supplied production equipment and technology to Rover for eg its 200, 400 and 600 models	Rover able to maintain existing equipment
Component supplies	Rover and Honda each sell the other about £400m-worth of car parts a year eg – Honda sells to Rover 1.6, 2.0, 2.3 and 2.7-litre engines; fascias for 600 models – Rover sells body panels to Honda for UK-made Accords	In many cases each party has to supply the other as long as the car model remains in production
	Maintenance of common lists of parts specifications and suppliers	Disintegration of this relationship would quickly cause chaos on production lines
Vehicle sales	Rover makes Honda Concertos in Birmingham and supplies Land Rover Discoveries for sale as Honda Crossroads in Japan	Model sales likely to continue

That would give Rover the ability to bring to fruition various new model ideas which have been beyond its financial grasp.

"All car makers have more model ideas than finance, and so have to prioritise what is actually built," the company said yesterday.

Rover's design, research, development, and engineering facilities are more extensive than many realise.

They are concentrated at Canley, near Birmingham, and at a vast, 900-acre complex including 26 miles of test track at Gaydon in Warwickshire.

The Gaydon facility, currently employing 900 engineers and the subject of a £100m-plus new building programme, includes: climatic wind tunnels, prototype build centre, structural analysis facilities, electro-magnetic compatibility centre to test car computer and wiring systems, component test laboratories, noise, vibration and harshness analysis centre, engine test beds and anechoic (sound-free) chambers.

It contains within it the capability to develop engines from scratch. It is where Rover's state-of-the-art K series multi-valve engine was developed and which in turn is being developed from a small-capacity four cylinder unit into a full range of engines, including a V6, capable of powering almost any vehicle Rover might make in the future.

Commercial logic once again dictates, however, that BMW and other manufacturers' units are used instead in some applications, such as diesels, where they can be simply taken "off the shelf". Peugeot diesels, for example, are used in Rover 200, 400 and Metro ranges.

The Canley centre is occupied by some 1,000 designers and engineers, where vehicles are styled from scratch, and where a master database of dimensions and other elements is created off which Rover's and component suppliers' project engineers can work.

However, one of the most valuable benefits Rover has gained from its long relationship with Honda has been how to break down old barriers between the various development departments and use simultaneous engineering to bring products to market more quickly and with many fewer mistakes in the build-up to production.

Honda has changed Rover's methodology radically, to the extent that new vehicle projects are not even centred at Gardon or Canley, but at the plant where they are to be built.

For the 600, for example, a project leader was appointed at the Cowley manufacturing plant. He appointed a team and they "lived" within just one room while ideas for the car took shape. Gaydon and Canley personnel simply became part of the project team.

It is this Honda-taught approach to development, costs and quality which allowed Rover to take its Discovery four-wheel-drive model into production in a record-breaking 21 months and is where, Rover executives acknowledge, Rover's greatest debt to Honda lies.

Understandably perhaps, Honda is not anxious to see it all handed to such a fierce rival on a plate.

Few fears over other link-ups

By Tim Burt, Andrew Taylor and Andrew Baxter

Fears that the breakdown of Rover's relationship with Honda could harm other Anglo-Japanese joint ventures were played down yesterday by one of the few other companies to enjoy a cross-shareholding in a Japanese corporation.

Allied-Lyons, the drinks, food and retailing group, said it did not expect the Rover affair to have a significant affect on its links with Suntory, Japan's largest whisky distiller and one of the country's biggest private companies.

Since 1989, Allied-Lyons has been able to take advantage of a 1 per cent holding in the privately-owned company to distribute its alcohol products in the fiercely competitive Japanese market.

In turn, Suntory has taken a 4.3 per stake in Allied Lyons – worth about £230m at yesterday's market price.

Under the 40-year joint venture agreement, signed in 1989, the two groups agreed to set up distribution and marketing companies in Japan.

Allied-Lyons owns 51 per cent of the distribution group and 49 per cent of the marketing company, with Suntory holding the remainder.

The Osaka-based group sells Allied-Lyons' products in its home market, while the UK company distributes some Suntory products in North America.

Such links are rare because Japanese companies have usually opted for outright control in the UK, often starting from greenfield sites. Toyota and Nissan have built their own car plants, for example.

These investors may feel vindicated after the treatment meted out to Honda but fears of a backlash against Japanese investment in the UK seems unlikely given the Japanese preference for local ownership.

Most importantly they regard the UK as a vital manufacturing base to break into European markets. It is unthinkable, therefore, that they might run away at the first hint of trouble.

The priority given by Japanese companies to employee and trading relationships with component suppliers has meant that a lot of time and money has been committed during the last decade to establishing a large presence in the UK.

In fact, the commitment in many areas is deepening as Japanese manufacturers have gone beyond seeing the UK simply as a cheap production country and a way to avoid trade friction when selling into European Union markets.

Komatsu, the construction equipment producer, manufactures hydraulic excavators for the European market from its factory in Birtley, near Newcastle.

When the plant began production in 1987 it was producing machines to Japanese designs. It now has its own UK design team, making Birtley the first Komatsu overseas plant to manufacture non-Japanese designed models.

Yamazaki, the world's largest producer of computer controlled machine tools, also began manufacturing in the UK in 1987, supplying European markets. The range of products built at the Worcester plant is now being expanded to serve world markets instead of just Europe.

An example of "high yen effect" is NSK Bearings in Peterlee, County Durham, which recently secured its first orders from east Asia supplying bearings to white goods manufacturers in China and Indonesia. These previously had been supplied by NSK's parent in Japan.

Japanese property and construction companies, which also established wholly owned operations in the UK, have fared less well. Companies like Kumagai which bought expensively at the peak of the property market in the late 1980 are now seeking to retrench. But this is for reasons other than a breakdown of relationships with British partners, as in the case of Honda and Rover.

Government comes under pressure to intervene

By Roland Rudd

The government was yesterday under pressure from some of its own backbenchers to encourage Honda to continue its collaboration with Rover.

Angry calls for intervention from Tory MPs are likely to dismay ministers, who only a few weeks ago were privately expressing relief that Rover's sale to BMW had not caused a political row.

Sir Teddy Taylor, (Southend East), said: "Honda has been treated shamefully. A minister should now make a public statement saying the government regrets the way the sale of Rover to BMW has been handled to alleviate the problem."

Another senior backbencher said the Department of Trade and Industry "should start batting for Britain" by encouraging the Japanese to guarantee a long-term working relationship with Rover.

However, Downing Street dismissed calls for intervention arguing that it was not a matter for the prime minister.

It was made clear that Mr John Major hopes that co-operation will continue between Honda and Rover, but does not share the "apocalyptic vision" of those who fear a speedy end to the relationship.

However, Mr Simon Coombs, (Swindon) warned that a decision by Honda to sever all its links with Rover could prove very damaging.

Although Honda stressed that the 2,000 jobs at its plant in Swindon would not be affected by its decision to sell its 20 per cent Rover stake, Mr Coombs said an end to joint contracts would affect many of his constituents reliant on Honda.

He has already asked Mr Tim Sainsbury, industry minister, to find out why there was no British company interested in buying the country's last car volume manufacturer.

There is deep unease among backbenchers that Honda's decision to sell its stake in Rover could herald the end of the relationship between the two companies.

There is also concern that it could harm Britain's chances of continuing to receive the biggest share of Japanese inward investment in Europe. The UK accounts for 40 per cent of all Japanese European investment, according to government figures.

"We now know that Honda are deeply distressed" said Sir Teddy. "If its not to have an affect on Japanese inward investment, the government must make a statement".

Mr Robin Cook, Labour's shadow trade and industry spokesman, called on ministers to live up to their promise that Rover and its workforce would not suffer from the BMW takeover.

"The danger for Rover is that customers will lose confidence and the workforce will lose morale if the uncertainty is not ended swiftly," he said.

Co-operation on an ad hoc basis

By Paul Cheeseright, Midlands Correspondent

Mr John Bacchus, Rover's head of collaborative strategy, was in Tokyo yesterday seeing the corporate umbrella over his Honda projects snatched out of his hands. He has been Rover's point of contact with Honda as the two companies worked together over new models and fostered co-operative manufacturing.

Although Rover and Honda exchanged board members, the arrangements for collaboration under that level were loose.

Rover never had a group of people who spent all their time collaborating with Honda. The role of Mr Bacchus was to facilitate contacts whenever they were needed. And he has been making about 18 trips to Japan every year to that end.

Another frequent visitor to Tokyo has been Mr Alan Curtis, managing director of product supply at Rover and responsible for bringing new models to market. But neither side ever had a permanent presence in the plants or offices of the other.

At working level the Rover and Honda executives who came into contact most frequently were the designers and engineers. Rover formed teams to undertake projects and tasks. When the work was complete the team would be dissolved, its members moving on to something else.

Practically, the collaboration of the two companies was done on an ad hoc basis – "as the need arose – interface at any level," as Rover put it yesterday. As an example Rover designers spent considerable time in Tokyo when they were developing the 600 model.

The changes in Rover's manufacturing processes over the last 15 years have been helped by a running series of visits to Honda factories, but executives learned more from the Honda plants in the US than they did from those in Japan. "In the US you could see how the Japanese adapted to western structures," Rover explained.

The contacts have resulted in a growing network of executives across the two companies accustomed to co-operating with each other, which has so far been unaffected by the BMW purchase. "Many friendships will continue regardless," said one Rover executive.

Near-fourfold advance helped by restructuring and new subsidiaries

Low & Bonar jumps to £32m

By Tim Burt

Low & Bonar yesterday announced a near fourfold increase in profits as the packaging and plastics group reaped the benefits of a wide-ranging restructuring and contributions from new subsidiaries.

Britain's self-proclaimed market leader in food packaging saw pre-tax profits climb from £8.1m to £31.6m in the 12 months to November 30 last year.

Although the 1992 figures were distorted by heavy reorganisation costs in North America and the closure of its UK non-wovens business, profits before exceptionals showed a 43 per cent improvement.

Mr Jim Leng, chief executive, said the group – which wraps products as diversified as soap and silage – was now in a dominant position as manufacturers consolidated orders with a few key suppliers.

"We've got rid of the bits and pieces which were not central and we now want to grow in our main businesses, particularly in North America and Europe," he added.

Of the group's three core areas, packaging showed the sharpest improvement with a 55.4 per cent increase in profits to £20m.

The division, representing more than half of group profit, was boosted by contributions of £5.3m from its latest acquisitions: Cereal Packaging, purchased from Kellogg for £33.5m, and designer CMB Carton Systems, the packaging equipment company acquired for £17.4m.

The acquisitions – funded by a £50.2m rights issue last April – contributed £36m to group turnover of £368.9m (£307.3m).

Sales of specialist materials improved by 15 per cent to £82.8m, with profits ahead 35 per cent at £13m (£9.6m).

The input, however, of the plastics division was more modest. Turnover increased 6.5 per cent to £52.8m, while profits rose 4.5 per cent to £4.84m.

Mr Norman McLeod, finance director, said the division had failed to keep pace with the other sectors because of the recession in continental Europe, where profits fell to £2.7m (£3.8m).

"Nevertheless, we still managed to generate £25m in cash during the year and brought gearing down to 8 per cent from 30 per cent," he added.

Earnings per share rose 31 per cent to 21.77p, compared with 16.56p before exceptionals in 1992. A proposed final dividend of 7.1p lifts the total to 10p, a 10 per cent increase.

● **COMMENT**

Low & Bonar has begun to make its assets sweat. Having introduced new management and completed disposals in the UK and North America, it has improved productivity sharply and cut borrowing. A five-year contract with Kellogg has also insulated it from the worst effects of supermarket price cuts. With orders stabilising in Europe and only a 25 per cent exposure to the consumer packaging business, profits are expected to exceed £39m this year on a forward earnings multiple of 16. The shares, up 7p at 407p yesterday, appear inexpensive.

Costs and squeezed margins hit FII

By Peggy Hollinger

FII, the shoe manufacturer which supplies Marks and Spencer, yesterday announced a drop in interim pre-tax profits from £3.48m to £551,000.

The fall was due to a squeeze on margins and a series of one-off costs in the science and footwear divisions.

The interim dividend is maintained at 6p, as forecast in November's profits warning. Earnings fell from 15.3p to 2.2p per share.

Turnover was 2 per cent higher at £42m. Mr Monty Sumray, chairman, said that was largely due to FII's increased share of the UK footwear market. Sales in that division rose by 8 per cent to £38m in a stagnant market, he said.

Pre-tax profits in the division were affected by a £44,000 exceptional cost of recalling a defective shoe design and rationalisation charges. Profits fell by £1.4m to £1.5m.

The shoe business continued to suffer from tight margins, Mr Sumray said, and there were indications that leather prices were likely to increase.

On the brighter side, the recent decision by the European Union to impose quotas on Chinese shoe imports "may help our cause," said Mr Sumray. The science division incurred costs of £650,000 following the cancellation of a development contract and a product recall during the first half. This resulted in a £1.2m pre-tax loss, against a profit of £200,000 last time.

McDonnell poised for market with £250m tag

By Alan Cane

McDonnell Information Services, the Hemel Hempstead-based computing services company, will float on the main market next month through a placing and intermediaries offer to raise a net £107.4m.

Of the funds raised, £73m will be used to repay borrowings arising out of last year's management buy-out from McDonnell Douglas, the US aerospace group, and £34.4m will be used to redeem preference shares.

The pathfinder document was published this morning.

Impact day will be March 8; the latest time and date for receipt of applications is 10am on March 17 and dealings will begin on March 24.

The flotation is expected to value the company at about £250m.

The pathfinder shows the value of the management buy-out as £121m; the management team – consisting of certain directors and senior employees – invested a total of £963,269 for 15.5 per cent of the company's equity.

Mr Jeremy Causley, chief executive, said this week that he would not be selling his stake in the company.

On February 4 this year the company had cash balances and short-term deposits of £13m, having repaid borrowings of £8.4m, restructuring charges of £5.3m, and interest of £3.5m since the buy-out.

MDIS generated operating profits of £22.3m in 1993 on revenues of £148.5m, compared with £19.1m on £158.6m the year before.

Revenues have been shrinking as the company has moved away from hardware towards the more profitable software and services. Operating margins, however, have grown from 10.4 per cent to 15 per cent in the past three years.

The flotation will be one of the largest in the information technology sector for some years. MDIS specialises in open or industry standard systems for niche markets, with growth potential including central and local government, the police and the emergency services.

Last year it spent £17.6m – or 11.8 per cent of turnover – on research and development.

Odds shorten on Racecourse win

By David Blackwell

Racecourse Holdings Trust, owned by the Jockey Club, remains the favourite to win the race to own Epsom, home of the Derby.

But yesterday Mr Stan Clarke, who has turned round Uttoxeter racecourse from losses five years ago, confirmed that he was putting in a private bid, along with Mr Anthony Solomons, chairman of Singer & Friedlander, the merchant banking and property group, and Mr Andrew Cohen, managing director of Betterware, the home shopping company.

Also in the running is Sunset + Vine, which makes sports television programmes.

Epsom is being sold, along with Sandown Park and Kempton Park, by the Horserace Betting Levy Board, the statutory body that acquired the courses more than 20 years ago in order to protect them from possible property development.

All three courses lie within the M25, London's outer ring road. Estimates of their total value run up to £30m.

The bids must be submitted to Lazard Brothers, the merchant bank handling the sale, by the end of this week. The winner is expected to be announced at the end of March at the earliest.

Peninsular & Oriental Steam Navigation, the shipping and property company, which was also shortlisted, said that it would not be submitting a bid.

Also out of the running is the Racehorse Owners' Association, which feels aggrieved that it did not make the final list. The association, which has 4,500 members, is thought to have put in an indicative bid of well over £20m last month.

Mr David Hillyard, managing director of Racecourse Holdings Trust, said his group had a good track record for managing large racecourses. The trust owns nine, including Cheltenham and Newmarket, and ploughs all its profits back into racing.

Mr Clarke, owner of Uttoxeter, said he had served his apprenticeship in racing over the past five years, turning the course from losses of £36,000 in 1989 to £400,000 profits this year.

"We are committed racing men", said Mr Clarke, who sold his housebuilding business for £51m in 1986. He believes he can transfer to racing the management expertise learnt in building up two businesses.

Mr Gerry Buckland, of Sunset + Vine, said the company specialised in sports and horse racing television programmes, and believed it could use its skills to enhance the potential of the three courses. "The Derby has not had the crack of the whip it might have had", he said.

Meanwhile Mr Bill Gredley, chairman of the Racehorse Owners Association, feels that the association's bid was unfairly dismissed. Its committee, which included Mr David Sieff of Marks and Spencer, and Sir Eric Parker, former chief executive of Trafalgar House, felt the bid timetable, squeezed between Christmas and March 1, was too tight.

"Nevertheless we put in a very competitive bid and we feel that we need some answers", Mr Gredley stated.

Govett rises 21% to $54.6m

By Bethan Hutton

Govett, the fund management and insurance group, reported a 21 per cent increase in pre-tax profits to $54.6m (£37.3m) for the year to December 31. Profits growth came largely from fund management fees and investments, after a good year for international equity and bond markets.

The US profile of the group, which has half its assets and employees in the UK and half in the US, has been helped by gaining a Nasdaq listing last year. It is seeking a New York Stock Exchange ADR listing.

Funds under management grew by 31 per cent to $8.5bn, but a large portion of the $2bn increase is attributable to the acquisition of North American Trust Company last August, which has $1.5bn under management. Other inflows came from four large new US institutional accounts, new investment funds, and sales of US mutual funds.

Weekly sales of US mutual funds leapt from $250,000 to $10m, and Mr Ian Whitehead, chief financial officer, said that growth was expected to continue this year. The group is aiming to increase the US mutual fund business from $340m to $1bn in the near term. Govett has benefited from US investors' general move to international markets, driven by low interest rates and poor prospects for US stocks.

Income from fund management improved to $19.6m ($15.4m), and investment income almost doubled to $18.5m ($9.7m). The contribution from the US life assurance and annuities arm slipped to $18.3m ($19m), but Mr Whitehead said this did not reflect significant unrealised gains. Income from development capital dropped to $4.5m ($7m).

A share buy-back programme contributed to the improved fully-diluted earnings per share figure, up 38 per cent to 62.1 cents.

There is a final gross dividend of 18 cents (14.5 cents), to make a total of 28 cents (24 cents).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Ashtead	int	1.3†	Apr 6	1.133	-	4.538
City Merch High	fin	2.4†	Apr 11	1.7	8.4	7.875
Essex Furniture§	int	1.8	Apr 6	1.5	-	3.5
FII	int	6†	May 6	6	-	14.75
Govett	fin	18★	Apr 6	14.5	28	24
Grosvenor Dev	fin	1.1	Apr 29	1	1.1	1
Johnson Fry	int	1.6☆	Apr 15	-	-	-
Low & Bonar	fin	7.1	May 13	6.4	10	9.1
Rights & Issues	fin	6.3	Mar 31	6	8.7	8.3
Wills Group	int	0.115†	Apr 7	0.1	-	0.4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Second interim making 3.2p to date. ★US cents, gross.

All-round growth helps Ashtead leap to £3.3m

By Peter Pearse

Ashtead, the plant and machinery hire group which had a £20.4m rights issue in November, more than doubled pre-tax profits from £1.61m to £3.26m in the six months to October 31.

Although the shares fell 12p to 439p yesterday, they have been rising sharply from the 378p level of a fortnight ago.

With organic growth coming from all three divisions, Mr Peter Lewis, chairman, said that operational gearing of the business – underpinned by maintained, and even increased, investment across the group throughout the recession – lay behind the sharp profits rise. During the period, capital expenditure rose to £6.5m (£5.3m) and is expected to be £8.5m (£4m) in the second half.

Group turnover advanced 24 per cent to £20.9m (£16.8m) with volumes up 24 per cent. Mr Lewis said that further volume growth was the short-term aim, though there had been sporadic price increases of between 2 and 3 per cent on some lines since last spring.

A-Plant, the core UK plant hire business, raised operating profits to £2.63m (£1.47m) on turnover of £15.9m (£13.4m).

Ashtead Technology, the offshore services division, lifted profits to £603,000 (£489,000) on turnover lower at £2.23m (£2.37m) after the withdrawal from low margin sales programmes. A Singapore branch was opened in January.

Sunbelt, the US plant hire side, increased profits six times to £442,000 (£74,000) on turnover of £2.73m (£1.1m). This year it is spending £1.3m on plant: next year the figure will be £3m.

Earnings per share more than doubled from 5.2p to 10.9p and the interim dividend is raised to 1.3p (1.133p).

● **COMMENT**

At this stage in its development, Ashtead leaves the cynic clutching at non-existent straws. There will be fewer billings days in the second half – 115 against the first half's 129 – so volume growth will ease slightly. But even if prices don't firm as they are half-expected to, that will hardly dent the group's progress, as, apart from anything else, interest charges will fall as the rights' £8m cash pile offsets previous borrowings. The management has steered the group through the recession admirably – investing heavily, not rushing at fences in the US, using profit-sharing schemes well – and they can afford to look a little smug. With £5.5m pre-tax pencilled in, giving earnings of about 16.5p, the p/e is 26.5. With no profits declaration likely at least until 1997, the shares are worth staying with.

Bullough restates after shortfall

By Paul Taylor

Bullough, the office products and refrigeration group, has been forced to restate its full-year results following the discovery of a £1.4m shortfall in the assets of a subsidiary.

As a result the group yesterday reported restated audited pre-tax profits of £7.78m for the year to October 31 and earnings per share of 2.29p. The shares closed 12p lower at 161p.

The shortfall was discovered in one of the branches of the group's General Refrigeration business. Investigations are under way to determine the exact nature of the loss which is thought mainly to reflect the booking of fictitious profits over a number of years.

However, the company said that until the investigation was completed it was not known how much of the loss was represented by the misappropriation of assets nor how much might be recovered from insurers. A member of the branch accounting staff had been dismissed.

Bullough's board, and its auditors, said they were satisfied that this was the full extent of the potential loss.

Venture gives distribution access to 45,000 prospective customers

Quality Software in US link-up

By Alan Cane

Quality Software Products, the Gateshead-based accounting software company which joined the main market last year, has secured distribution in North America for its principal product through an innovative revenue sharing venture.

The deal has been signed with Global Software, a US accounting software house based in Raleigh, North Carolina. The venture gives QSP access to 45,000 prospective customers – the UK market for large scale accounting software is only about 3,000 customers.

At no cost it gives QSP a 5 per cent equity stake in Global with the option to purchase a further 5 per cent at a later date.

QSP and Global will share both software licence fee and maintenance revenues from QSP's new client-server accounting software, Universal OLAS.

Analysts were enthusiastic about the deal, arguing that it provided QSP with a low cost and low risk method of entry to the US market.

Sales in the North American market are critical for any software company with global ambitions but UK companies have a poor record of success in the US. QSP's share price was unchanged yesterday at 407p.

Mr Alan Mordain, QSP chairman, said the company had been seeking a suitable US partner for two years and had been encouraged by the similarity of approach between the two companies. The Global management, which recently bought the company from Hathaway Corporation, had powerful incentives to make the relationship work, he said.

QSP has been successful in the UK with a mainframe accounting package, but is pinning its future hopes on Universal Olas, developed for client-server systems at a cost of some £12m.

Client-server systems are increasingly taking over from mainframe computers in large companies and could represent half of all installed systems by 1998.

Global, with revenues of $25m (£17m) in 1993 and over 1,000 customers in the US, including Federal Express and the American Hospital Association, is a competitor to Dun & Bradstreet Software and Computer Associates of the US, and SAP of Germany in mainframe software, but has no client-server software.

Mr Thomas Roberg, Global's vice president, said that without the QSP deal the company would have had to develop its own client-server product.

QSP now has 10 customers for Universal OLAS and has completed all the principal modules.

Prior makes second cash call

Hanson's Beazer Estates subsidiary is taking a 3.5 per cent stake in Prior, the property group and architectural ironmonger, as part consideration for the sale of two properties in Hull and Liverpool.

Beazer, which has given Prior an option on a further property, has undertaken not to sell the shares for at least 12 months.

Prior is also buying Bouverie House in London's Fleet Street for £11.5m from a company controlled by the family trust of Prior's chairman, Mr James Prior.

It is seeking £4.55m net through the placing of 108.3m shares at 4¼p. They are being made available to shareholders on 3-for-4 basis. The shares were suspended last week at 7¼p. The company also announced pre-tax profits of £2.02m (losses £467,000) for the six months to September 30 as a result of the placing in May, which raised £2.37m net, allowing a release of bank indebtedness of £2.05m. Turnover was £609,000 (£596,000).

Prior is buying the three properties for an aggregate £12.7m, satisfied by the issue of 32.2m shares, £2.28m cash and a loan of £9m from Century Life, which has also been granted an option for up to 4m shares at 4¼p.

Growth at Johnson Fry Utilities

In its first interim report since flotation last July, Johnson Fry Utilities Trust raised net asset value per share by 30 per cent to 122.4p in the period from July 14 to January 31 1994.

The company, which invests mainly in UK utilities, reported net revenue of £1.19m and earnings per share of 3.92p. A second interim of 1.6p makes 3.2p to date and a forecast total of 7.2p is reaffirmed.

Rights and Issues

Net asset value per capital share at Rights and Issues Investment Trust advanced from 392.5p to 545.7p over the 12 months to December 31.

Net revenue rose to £410,499 (£339,674) for earnings per income share of 10.177p (7.737p). A final dividend of 6.3p makes an increased total of 8.7p (8.3p).

NEWS DIGEST

London Industrial downturn

London Industrial, the property investment group which came to the market in December, reported a fall in pre-tax profits from £363,200 to £182,200 for the quarter to December 31, bringing the total for the nine months to £537,200 against £799,700.

Turnover on continuing operations improved to £1.71m (£1.52m) for the three months. Earnings per share were reduced to 2.1p (6.3p).

Since the period end, the company has agreed terms on two industrial estates in Barking, Essex, and Lewisham, London, for a total of about £3.5m.

Countyglen appoints two new directors

Countyglen, the Dublin-based property investor, has appointed Ms Sara Sharpe, with 20 years' experience in the financial sector of the US, and Mr Daniel Hardie, a Canadian with 25 years' experience in the investment business, to its main board.

Ms Sharpe and others intend to initiate proceedings, both in Ireland and the US, against a number of parties including Mr Clayton Love, a director of Countyglen.

Countyglen has agreed to be joined as a plaintiff in the intended actions. As a result Mr Clayton Love has been suspended pending the outcome of the court proceedings.

City Merchants High Yield up 38%

City Merchants High Yield Trust saw its net asset value per share rise by 38 per cent – from 105.7p to 146.2p – over the 12 months to end-December.

Net revenue improved from £1.46m to £1.55m. Earnings per share, on capital increased by last summer's successful placing, dipped to 9.746p (9.02p).

A recommended final dividend of 2.4p brings the total distribution for the year to 8.4p (7.875p).

Record orders for BP Energy

BP Energy, the energy supply management subsidiary of British Petroleum, had record energy supply orders of £90m over the last 12 months, the company reported yesterday.

The most recent contract was the outsourcing of bulk energy supplies by Pirelli Cables at its site in Eastleigh, near Southampton.

Fleming European possible placing

Fleming European Fledgeling Investment Trust is considering a placing and offer of conversion shares to increase the size of the trust.

The directors will assess the potential demand over the next few days.

Any placing and offer will be structured to ensure there is no dilution of the net asset value of the existing shares and will be made available to all existing shareholders, including those in other Fleming trusts and schemes, and to the public.

Reorganised Conrad turns in £23,000

Following reorganisation, Conrad, the football clothing, coaching, consultancy and leather goods group, turned in a pre-tax profit of £23,000 for the six months to end-December, compared with a loss of £341,000.

The result was struck on turnover down from £4.66m to £2.07m, in line with the policy of "moving away from stock situations" and concentrating on consultancy – including the Bobby Charlton International soccer consultancy – and brand management.

Earnings per share came out at 0.04p, compared with losses of 0.63p.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	JAPAN Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.3	6.49	7.67	3.43	6.9	8.2	5.12	5.35	0.84
1987	11.6	6.5	6.82	8.39	3.12	10.5	11.5	4.15	4.64	0.55
1988	4.3	5.2	7.65	8.84	3.61	8.4	10.4	4.43	4.77	0.54
1989	1.0	3.9	8.99	8.49	3.43	4.1	10.6	5.31	5.22	0.48
1990	3.7	5.3	8.06	8.54	3.60	2.6	8.5	7.62	6.91	0.65
1991	5.9	3.3	5.87	7.85	3.21	5.2	2.0	7.21	6.37	0.75
1992	12.4	1.9	3.75	7.00	2.95	4.5	-0.4	4.28	5.25	1.00
1993	11.6	1.1	3.22	5.86	2.78	3.0	1.5	2.83	4.18	0.87
1st qtr.1993	11.9	0.4	3.20	6.26	2.81	1.8	-0.4	3.29	4.34	1.00
2nd qtr.1993	11.8	0.9	3.18	5.98	2.80	3.2	1.4	3.09	4.55	0.83
3rd qtr.1993	12.2	1.5	3.18	5.61	2.76	3.3	1.9	2.83	4.25	0.80
4th qtr.1992	10.6	1.4	3.34	5.59	2.73	3.6	1.5	2.14	3.57	0.84
January 1993	13.4	1.1	3.26	6.59	2.87	2.4	-0.3	3.59	4.55	1.03
February	11.7	0.3	3.18	6.26	2.80	2.3	0.1	3.15	4.31	1.01
March	10.9	0.2	3.17	5.97	2.76	0.9	-0.4	3.13	4.19	0.97
April	11.0	0.5	3.15	5.96	2.81	2.4	0.5	3.08	4.42	0.85
May	12.1	1.1	3.14	6.02	2.81	3.9	1.5	3.09	4.64	0.82
June	12.8	1.5	3.25	5.94	2.80	3.4	1.4	3.10	4.58	0.82
July	12.7	1.5	3.20	5.79	2.80	3.8	1.8	3.11	4.40	0.81
August	12.2	1.4	3.18	5.68	2.76	3.5	1.7	2.93	4.27	0.79
September	11.7	1.4	3.16	5.35	2.73	2.6	1.9	2.46	4.09	0.79
October	10.9	1.1	3.26	5.32	2.71	3.7	1.8	2.30	3.85	0.80
November	10.4	1.4	3.40	5.70	2.74	3.3	1.5	2.22	3.64	0.84
December	10.1	1.6	3.35	5.74	2.74	3.4	1.4	1.90	3.25	0.89
January	9.7	2.0	3.20	5.71	2.72	4.6	1.6	1.96	3.34	0.85

	GERMANY Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	FRANCE Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.0	8.3	4.64	5.90	1.79	6.9	4.4	7.79	8.74	2.65
1987	9.0	7.3	4.03	6.14	2.21	4.1	12.2	8.26	9.46	2.75
1988	9.7	6.4	4.34	6.46	2.61	3.9	8.4	7.94	9.08	3.69
1989	6.3	5.8	7.11	6.94	2.22	7.5	9.5	9.39	8.79	2.88
1990	4.5	4.5	8.49	8.71	2.11	3.7	9.0	10.32	9.92	3.19
1991	5.1	5.8	9.25	8.44	2.38	-4.7	2.7	9.62	9.03	3.58
1992	7.1	8.2	9.52	7.77	2.45	-0.1	5.5	10.36	8.57	3.55
1993			7.28	6.44	2.11			8.55	6.75	3.21
1st qtr.1993	9.6	7.5	8.31	6.87	2.42	0.7	5.4	11.83	7.66	3.38
2nd qtr.1993	9.5	8.6	7.68	6.73	2.24	-0.3	2.9	8.01	7.08	3.33
3rd qtr.1993	9.9	8.1	6.82	6.34	2.01	-1.0	0.5	7.74	6.38	3.14
4th qtr.1993			6.34	5.83	1.79			6.74	5.92	3.01
January 1993	9.5	7.7	8.60	7.10	2.58	1.6	5.6	12.16	7.93	3.58
February	9.2	7.3	8.39	6.94	2.43	1.0	5.6	12.12	7.76	3.40
March	10.0	7.6	7.98	6.59	2.27	0.7	5.4	11.27	7.33	3.19
April	9.1	8.7	7.92	6.63	2.23	-2.6	4.1	9.06	7.14	3.25
May	9.3	8.5	7.52	6.80	2.27	-3.3	3.1	7.64	7.16	3.39
June	10.1	8.5	7.60	6.77	2.22	-0.3	2.7	7.32	6.95	3.35
July	10.1	8.7	7.24	6.57	2.09	-1.5	0.7	8.06	6.72	3.26
August	10.1	8.3	6.62	6.34	1.98	-1.9	0.2	7.93	6.33	3.06
September	9.5	7.3	6.63	6.12	1.98	-1.1	0.4	7.29	6.12	3.08
October	9.1	6.4	6.64	5.93	1.86	0.6	-0.3	6.99	5.95	3.02
November	8.4	7.4	6.31	5.86	1.82	-2.5	-1.4	6.74	6.02	3.07
December	8.4	8.9	6.11	5.71	1.69	0.2	-2.9	6.52	5.79	2.94
January			5.90	5.63	1.71			6.31	5.86	2.82

	ITALY Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	UNITED KINGDOM Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.5	8.2	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	10.4	9.8	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	7.8	6.9	11.24	10.54	2.71	6.8	17.0	10.41	9.69	4.48
1989	7.1	8.2	12.41	11.61	2.46	5.9	17.5	13.98	10.30	4.36
1990	9.3	9.1	11.98	11.87	2.84	5.3	16.1	14.82	11.53	5.07
1991	7.3	8.0	11.83	13.20	3.45	2.4	8.2	11.58	10.04	4.97
1992	6.7	7.5	13.86	13.29	3.63	2.3	5.3	9.73	9.09	4.91
1993			10.22	11.23	2.35	4.8	3.9	5.92	7.40	4.01
1st qtr.1993	2.8	6.2	11.88	13.13	3.04	4.4	3.5	6.43	7.97	4.35
2nd qtr.1993	2.4	6.0	10.82	12.49	2.47	4.2	3.6	6.00	7.92	4.04
3rd qtr.1993	5.0	7.8	9.38	10.27	1.89	5.0	3.7	5.96	7.13	3.91
4th qtr.1993			8.89	9.10	2.01	5.4	4.9	5.61	6.52	3.75
1993 January	2.1	5.4	12.73	13.46	3.26	4.0	3.3	7.04	8.33	4.46
February	2.9	6.3	11.51	13.03	3.01	4.6	3.4	6.23	7.97	4.36
March	3.5	6.8	11.41	12.92	2.86	4.7	3.7	6.04	7.65	4.24
April	1.9	5.8	11.48	13.13	2.75	4.8	3.5	6.02	7.81	4.08
May	2.2	6.1	10.80	12.50	2.53	3.4	3.8	6.03	8.08	4.04
June	2.8	6.1	10.22	11.87	2.15	4.5	3.4	5.95	7.88	4.01
July	3.5	6.8	9.54	11.12	1.98	4.7	3.5	6.01	7.49	4.03
August	5.2	8.0	9.35	10.08	1.83	5.1	3.7	5.91	7.00	3.83
September	6.1	8.7	9.18	9.66	1.85	5.1	4.0	5.96	6.91	3.88
October	5.4	7.3	8.87	9.04	1.94	5.4	4.3	5.83	6.81	3.81
November	8.3	8.6	9.08	9.34	2.15	5.1	4.9	5.96	6.77	3.84
December	7.5	7.9	8.72	8.94	1.97	5.8	5.4	5.40	6.28	3.61
January			8.44	8.69	1.88	5.3	5.5	5.44	6.22	3.46

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

COMPANY NEWS: UK

Merrydown shares lose sparkle after warning on profits

By Graham Deller

Shares of Merrydown tumbled yesterday after the Sussex-based cider and soft drinks maker issued a warning on profits and announced plans to restructure its activities.

The shares were marked down to 125p in pre-market dealings, as analysts hastily revised their profits forecasts downwards, before rallying to finish at 159p - still 54p below Friday's closing level.

The board, chaired by Mr Richard Purdey, said that sales in the crucial Christmas period had been "very disappointing". Despite growth from the repackaged Original brand, the sales outcome for the full year to end-March was likely to be "well below previous expectations with a considerable adverse effect on profitability".

While the recently acquired Shloer and PLJ brands had maintained sales, cider was hit, particularly in the bulk cash and carry and wholesale sectors, reflecting competition from economy brands, the directors said.

The full-year was unlikely to show more than a modest profit, and the level of the final dividend - 6p last time for a total of 7p - was "under review".

The proposed restructuring, aimed at increasing working capital by concentrating on the company's main brands, would involve a reduction in stock levels and overheads and the disposal of Martlet Natural Foods and other "non-core assets".

● Merrydown's quoted competitors - HP Bulmer and Taunton Cider - both responded to the statement.

Bulmer, which produces the Strongbow, Woodpecker and Scrumpy Jack brands, described its trading over Christmas as "reasonable". It said its brand portfolio was more "balanced" than Merrydown's and stressed that economy brands accounted for just 5 to 6 per cent of the total cider market.

Taunton, which warned in December that lower-priced brands had adversely affected the take-home market, said its own trading over the period was "satisfactory".

The group, which makes Dry Blackthorn and Autumn Gold and the premium Red Rock, Diamond White and Brody brands, is launching fresh promotional campaigns from next month, but declined to make a formal statement on trading.

Enlarged Wills ahead to £0.58m

Wills Group, the distributor of fluid handling equipment, reported doubled pre-tax profits of £575,000 for the six months to January 1, against £287,000.

The result was achieved on turnover up 44 per cent from £8m to £11.5m.

Wills also announced a further acquisition with the purchase of Cellar Services Technology, a Manchester-based supplier to the brewing industry, for £60,000.

In the year to May 31 it made pre-tax profits of £64,000 on turnover of £1.5m.

The figures were the first to include a full contribution from Platon, acquired in April last year. At the beginning of November, SRL, based in Lyon, was acquired helping the French activities to show a good performance.

In Italy buoyant results in some areas balanced downturns in others.

Trading in Germany and the Netherlands was poor, while in the UK there has been some sign of improving market conditions but this has yet to show through in significant increases in demand.

Earnings per share improved to 0.36p (0.28p) basic or 0.35p (0.24p) fully diluted.

The interim dividend is raised from 0.1p to 0.115p.

New stores lift Essex Furniture

Benefits of new store openings enabled Essex Furniture to raise pre-tax profits by 14 per cent, from £619,000 to £703,000, in the six months to December 31. Sales at the USM-quoted furniture retailer and manufacturer grew 44 per cent to £7.47m.

Mr Michael Franks, chairman, said trading from Boxing Day was ahead of forecast with excellent input from new locations. Results for the full year were expected to be "very satisfactory."

He reported that the interim performance had exceeded budgeted forecasts and the company had absorbed the opening costs of a new head office and distribution facility of five new showrooms in the period.

An additional 60,000 sq ft had been added to selling space and the company said it intended to open a minimum of five showrooms in 1994.

Earnings advanced from 3.73p to 4.06p and the interim dividend is 1.8p (1.5p).

Sheffield Insulations £1.2m purchase

Sheffield Insulations is to buy Turton Ventures, a distributor of safety and workwear clothing products, for £1.2m.

The consideration will be satisfied by a payment of £642,500 cash on completion, and £557,500 by the issue of 202,727 ordinary shares.

Turton imports many of its products from east Asia.

Wong Shi, Sheffield's Taiwan-based subsidiary, will act as the procurement agent for the enlarged Turton business.

A promise of no jam tomorrow

Andrew Bolger takes a look at Trafficmaster, which is en route for a market quote

Growing traffic congestion - and offering customers a way of avoiding it - are key elements in the strategy of a group which will soon come to the market with a capitalisation of about £25m.

Trafficmaster is a Luton-based company which claims to offer the world's first commercially available on-board traffic monitoring system. A dashboard-mounted screen advises of upcoming traffic jams and road accidents, in time for drivers to alter their route.

Mr David Martell, chief executive, said Monday mornings were the worst time to travel on the UK's motorways, while Friday mornings were best in all parts of the country. He said: "Cynically, I think this is because salesmen don't work on Fridays - they play golf."

Trafficmaster has installed infra-red sensors which monitor traffic speed, transmit it by radio to a central computer and then feed the information to visual display units in subscribers' vehicles. The complete network is updated every three minutes, and advises motorists of the average speed and direction of any hold-up.

The system already covers more than 1,000 miles of motorways and trunk roads in the south of England and the Midlands.

Part of the flotation proceeds will be used to extend the network to cover the main motorways in England, Wales and Scotland by the end of this year, and main trunk roads during 1995 and 1996.

Trafficmaster units can be rented for £30 a month, or £19.50 a month if purchased. The screens currently cost £199, but, like other electronic products, prices are likely to fall rapidly if and when they start being sold by high street retailers.

Mr Martell, 45, is an accountant with interests in property and wine shipping. He said the idea for Trafficmaster came to him when sitting in an M25 traffic jam on the way to Heathrow with an old school friend, Mr Ian Williams, who is now a non-executive director of the company they founded.

Mr Martell is a fan of motorways and believes some of the critical press coverage about them is undeserved. However, he was struck by the poor quality of information about traffic conditions available to drivers.

The company was established in 1988 and, backed by Hambro venture capital funds, developed the necessary dedicated hardware and software. A pilot scheme, covering 250 miles of motorways around London, was successfully concluded in 1992, after which the company was awarded a 12-year licence to operate the system on all English motorways and trunk roads.

The licence is non-exclusive, and Mr Martell acknowledges that other organisations might seek to enter the market. However, he believes the company's investment means it has a four-year technological lead and a window of opportunity to market its product.

To date Trafficmaster is still incurring trading losses, but has installed about 2,000 screens. It is close to break-even at that level, but further investment on extending the network will raise that hurdle. However, once the network is complete, revenue from each additional subscriber should make profitability climb quickly.

Trafficmaster said that existing subscribers, which include mainly senior employees from 55 of the FT-SE 100 companies, report that the system helps save time, reduces frustration and provides insurance against delay.

There seems little danger of diminishing demand. The Confederation of British Industry estimates that traffic congestion now costs the UK £15bn a year. According to Department of Transport forecasts, the number of vehicles in the UK will grow by 60 per cent by 2020, and road usage will more than double in the same period.

Trafficmaster has patents pending in 48 countries. In the US - where Trafficmaster is a registered trade mark - Westinghouse Electric, the US conglomerate, has signed an exclusive agreement to introduce the system, probably starting on Washington DC's beltway.

About 20 per cent of current subscribers pay extra to use the system as a personal pager. A new generation of screens will use "smart-card" technology to provide extra services, such as demonstrating each user's position, and sending local information and routing from motorway sites.

So far the company has installed giant Trafficmaster screens at 20 Welcome Break motorway sites, with plans for 35 more at ports and airports this year.

Each site can generate more than £18,000 from advertising and also acts as a strong marketing tool to potential subscribers.

The screens have also been installed in the reception area of several corporate customers, so staff can check road conditions.

The company's big breakthrough to the mass market could come when motor manufacturers start providing guidance systems in new vehicles. Renault and BMW are among the car manufacturers working along these lines.

Trafficmaster will be floated by way of a placing, sponsored by Allied Provincial, to raise about £5m of new money.

Peek, the quoted electronics group, currently has a 23 per cent stake in the company, but is not expected to sell any of its shares.

Monitoring conditions: David Martell, flanked by John Abbott, commercial director (left), and Bill McIntosh, finance director

Kynoch rationalises after £644,000 loss

Kynoch Group, the specialist manufacturer of healthcare equipment, swung from profits of £968,000 to losses of £644,000 pre-tax for the year to December 31.

Turnover of continuing activities rose to £14.3m (£13.3m). There was also a £226,000 contribution from acquisitions.

The group warned in September that profits for the year were likely to be well below those for 1992. For the opening six months they fell by 67 per cent to £126,000.

To stem the tide of losses, the group has rationalised its MDH offshoot, to give cost savings of £423,000 in 1994.

It has also sold its large capacity steriliser business which was the main cause of the 1993 deficit.

There were exceptional charges for non-recurring items in 1993 amounting to £249,000 (nil). Losses per share emerged at 1.9p (earnings 3.4p).

Looking ahead, Mr John Salkeld, chairman, said trading in recent months had stabilised and the pattern of demand had begun to improve from the low levels experienced in the second half of 1993.

Panmure Gordon has agreed to become stockbroker to the group with immediate effect.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, 18th February, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2721.88	1840.47	1071.27	1764.69
Albania	(Lek)	162.69	110.015	64.036	105.485
Algeria	(Dinar)	35.5118	24.0139	13.9777	23.0252
Andorra	(Fr Fr)	8.6385	5.8415	3.4001	5.601
	(Sp Peseta)	207.513	140.325	81.6787	134.548
Angola	(New Kwanza)	18621.47(2)	12592.3	7329.56	12073.8
Antigua	(E Carr $)	3.9933	2.7003	1.5717	2.5891
Argentina	(Peso)	1.4773	0.9989	0.5814	0.9578
Aruba	(Florin)	2.6474	1.7902	1.042	1.7165
Australia	(Aus $)	2.0725	1.4014	0.8157	1.3437
Austria	(Schilling)	17.8625	12.079	7.0306	11.5817
Azores	(Port Escudo)	258.199	174.6	101.629	167.412
Bahamas	(Bahama $)	1.4788	1	0.582	0.9588
Bahrain	(Dinar)	0.5576	0.377	0.2194	0.3615
Balearic Is	(Sp Peseta)	207.513	140.325	81.6787	134.548
Bangladesh	(Taka)	58.1169	39.3	22.8752	37.6819
Barbados	(Barb $)	2.9747	2.0115	1.1708	1.9287
Belgium	(Belg Fr)	52.3298	35.3865	20.5973	33.9295
Belize	(B $)	2.9580	2.0002	1.1642	1.9179
Benin	(CFA Fr)	863.85	584.158	340.018	560.105
Bermuda	(Bermudian $)	1.4788	1	0.582	0.9588
Bhutan	(Ngultrum)	46.3844	31.3662	18.2572	30.0748
Bolivia	(Boliviano)	6.6842	4.52	2.6309	4.3338
Botswana	(Pula)	3.8311	2.5906	1.5079	2.484
Brazil	(Cruzeiro Real)	863.782	584.11	339.991	560.061
Brunei	(Brunei $)	2.3490	1.5884	0.9245	1.523
Bulgaria	(Lev)	39.65	26.8122	15.6065	25.7083
Burkina Faso	(CFA Fr)	863.85	584.158	340.018	560.105
Burma	(Kyat)	9.4775	6.4089	3.7304	6.145
Burundi	(Burundi Fr)	395.40	267.379	155.633	256.37
Cambodia	(Riel)	5176.50	3500.47	2037.51	3356.36
Cameroon	(CFA Fr)	863.85	584.158	340.018	560.105
Canada	(Canadian $)	1.9783	1.3377	0.7786	1.2826
Canary Is	(Sp Peseta)	207.513	140.325	81.6787	134.548
Cp. Verde	(CV Escudo)	109.7418	74.21	43.1952	71.1548
Cayman Is	(CI $)	1.2128	0.8201	0.4773	0.7863
Cent.Afr. Rep	(CFA Fr)	863.85	584.158	340.018	560.105
Chad	(CFA Fr)	863.85	584.158	340.018	560.105
Chile	(Chilean Peso)	632.1131	427.45	248.805	409.851
China	(Yuan)	12.8685	8.7019	5.0651	8.3437
Colombia	(Col Peso)	1205.5	815.188	474.494	781.625
CIS ‡	(Rouble)	0.8718o	0.5895	0.3431	0.5652
		2320.73m	1569.33	913.457	1504.72
Comoros	(CFA Fr)	863.85	584.158	340.018	560.105
Congo (Brazz)	(CFA Fr)	863.85	584.158	340.018	560.105
Costa Rica	(Colon)	225.9764	152.811	88.948	146.519
Côte d'Ivoire	(CFA Fr)	863.85	584.158	340.018	560.105
Croatia	(Dinar)	9272.78	6270.48	3649.83	6012.29
Cuba	(Cuban Peso)	1.1202	0.7575	0.4409	0.7263
Cyprus	(Cyprus £)	0.7634	0.5162	0.3004	0.4949
Czech Rep.	(Koruna)	44.20	29.889	17.3974	28.6584
Denmark	(Danish Krone)	9.9424	6.7232	3.9134	6.4464
Djibouti Rep	(Djib Fr)	258.00	174.466	101.551	167.283
Dominica	(E Carib $)	3.9933	2.7003	1.5717	2.5891
Dominican Rep	(D Peso)	19.0791	12.9017	7.5096	12.3705
Ecuador	(Sucre)	2872.22o	1942.28	1130.53	1862.3
		2987.58f	2020.27	1175.93	1937.09
Egypt	(Egyptian £)	5.0006	3.3815	1.9682	3.2423
El Salvador	(Colon)	12.9580	8.7611	5.0996	8.4004
Equat'l Guinea	(CFA Fr)	863.85	584.158	340.018	560.105
Estonia	(Kroon)	20.31	13.7341	7.9941	13.1686
Ethiopia	(Ethiopian Birr)	7.2915	4.9306	2.8699	4.7276
Falkland Is	(Falk £)	1.00	0.6762	0.3936	0.6483
Faroe Is	(Danish Kroner)	9.9424	6.7232	3.9134	6.4464
Fiji Is	(Fiji $)	2.2076	1.4928	0.8689	1.4313
Finland	(Markka)	8.1818	5.5327	3.2204	5.3049
France	(Fr)	8.6385	5.8415	3.4001	5.601
Fr. Cty/Africa	(CFA Fr)	863.85	584.158	340.018	560.105
Fr. Guiana	(Local Fr)	8.6385	5.8415	3.4001	5.601
Fr Pacific Is	(CFP Fr)	154.00	104.138	60.6156	99.8508
Gabon	(CFA Fr)	863.85	584.158	340.018	560.105
Gambia	(Dalasi)	12.3349	8.3411	4.8551	7.9977
Germany	(D-Mark)	2.5406	1.718	1	1.6472
Ghana	(Cedi)	1329.62	899.121	523.349	862.102
Gibraltar	(Gib £)	1.00	0.6762	0.3936	0.6483
Greece	(Drachma)	368.443	249.15	145.022	238.892
Greenland	(Danish Krone)	9.9424	6.7232	3.9134	6.4464
Grenada	(E Carr $)	3.9933	2.7003	1.5717	2.5891
Guadeloupe	(Local Fr)	8.6385	5.8415	3.4001	5.601
Guam	(US $)	1.4788	1	0.582	0.9588
Guatemala	(Quetzal)	8.6317	5.8369	3.3975	5.5966
Guinea	(Fr)	1206.41	815.803	474.852	782.215
Guinea-Bissau	(Peso)	7395.00	5000.68	2910.73	4794.79
Guyana	(Guyanese $)	189.3120	128.017	74.5146	122.747
Haiti	(Gourde)	17.7480	12.0016	6.9857	11.5074
Honduras	(Lempira)	10.8115	7.3109	4.2554	7.0099
Hong Kong	(HK $)	11.4332	7.7314	4.5001	7.413
Hungary	(Forint)	150.4162	101.715	59.2049	97.5271
Iceland	(Icelandic Krona)	107.40	72.6264	42.2734	69.6362
India	(Indian Rupee)	46.3844	31.3662	18.2572	30.0748
Indonesia	(Rupiah)	3148.0	2128.75	1239.08	2041.11
Iran	(Rial)	2581.0	1745.33	1015.9	1673.47
Iraq	(Iraqi Dinar)	0.46219	0.3124	0.1818	0.2996
Irish Rep	(Punt)	1.0397	0.703	0.4092	0.6741
Israel	(Shekel)	4.3775	2.9601	1.723	2.8382
Italy	(Lira)	2468.49	1669.25	971.617	1600.53
Jamaica	(Jamaican $)	42.8171	28.9539	16.8531	27.7618
Japan	(Yen)	154.239	104.3	60.7096	100.005
Jordan	(Jordanian Dinar)	1.0337	0.699	0.4068	0.6702
Kenya	(Kenya Shilling)	99.61	67.3586	39.2072	64.5853
Kiribati	(Australian $)	2.0725	1.4014	0.8157	1.3437
Korea North	(Won)	3.1799	2.1503	1.2516	2.0617
Korea South	(Won)	1197.75	809.947	471.444	776.6
Kuwait	(Kuwaiti Dinar)	0.4389	0.2967	0.1727	0.2845
Laos	(New Kip)	1064.36	720.097	419.145	690.446
Latvia	(Lats)	0.8462	0.5722	0.333	0.5486
Lebanon	(Lebanese £)	2517.7	1702.53	990.986	1632.43
Lesotho	(Maluti)	5.1082	3.4542	2.0106	3.312
Liberia	(Liberian $)	1.4788	1	0.582	0.9588
Libya	(Libyan Dinar)	0.4767	0.3223	0.1876	0.309
Liechtenstein	(Swiss Fr)	2.1443	1.45	0.844	1.3903
Lithuania	(Litas)	5.7681	3.9005	2.2703	3.7399
Luxembourg	(Lux Fr)	52.3298	35.3865	20.5973	33.9295
Macao	(Pataca)	11.8145	7.9892	4.6502	7.6603
Madagascar	(MG Fr)	2809.72	1900	1105.93	1821.77
Madeira	(Port Escudo)	258.199	174.6	101.629	167.412
Malawi	(Kwacha)	9.3455(3)	6.3196	3.6784	6.0594
Malaysia	(Ringgit)	4.1119	2.7805	1.6184	2.666
Maldive Is	(Rufiya)	16.4243	11.1065	6.4647	10.6492
Mali Rep	(CFA Fr)	863.85	584.158	340.018	560.105
Malta	(Maltese Lira)	0.5798	0.3921	0.2282	0.3759
Martinique	(Local Fr)	8.6385	5.8415	3.4001	5.601
Mauritania	(Ouguiya)	177.7019	120.166	69.9446	115.219
Mauritius	(Maur Rupee)	27.1968	18.3924	10.7055	17.6352
Mexico	(Mexican Peso)	4.5917	3.105	1.8073	2.9771
Miquelon	(Local Fr)	8.6385	5.8415	3.4001	5.601
Monaco	(French Fr)	8.6385	5.8415	3.4001	5.601
Mongolia	(Tugrik)	591.60	400.054	232.858	383.583
Montserrat	(E Carr $)	3.9933	2.7003	1.5717	2.5891
Morocco	(Dirham)	14.1582	9.5741	5.5727	9.1799
Mozambique	(Metical)	7982.88	5398.22	3142.13	5175.96
Namibia	(S A Rand)	5.1082	3.4542	2.0106	3.312
Nauru Is	(Australian $)	2.0725	1.4014	0.8157	1.3437
Nepal	(Nepalese Rupee)	68.5919	46.3834	26.9983	44.4737
Netherlands	(Guilder)	2.8504	1.9275	1.1219	1.8481
N'nd Antilles	(A/Guilder)	2.6474	1.7902	1.042	1.7165
New Zealand	(NZ $)	2.5775	1.7429	1.0145	1.6712
Nicaragua	(Gold Cordoba)	9.5322	6.4459	3.7519	6.1805
Niger Rep	(CFA Fr)	863.85	584.158	340.018	560.105
Nigeria	(Naira)	32.5336	22	12.8054	21.0942
		59.16a	40.0054	23.2858	38.3582
Norway	(Nor. Krone)	10.9949	7.435	4.3276	7.1288
Oman	(Rial Omani)	0.5694	0.385	0.2241	0.3691
Pakistan	(Pak. Rupee)	44.8810	30.3498	17.6655	29.1
Panama	(Balboa)	1.4788	1	0.582	0.9588
Papua New Guinea	(Kina)	1.4492	0.9799	0.5704	0.9396
Paraguay	(Guarani)	2658.24	1798.24	1046.7	1724.2
Peru	(New Sol)	3.2090	2.17	1.263	2.0806
Philippines	(Peso)	40.9259	27.675	16.1087	26.5356
Pitcairn Is	(£ Sterling)	1.00	0.6762	0.3936	0.6483
	(NZ $)	2.5775	1.7429	1.0145	1.6712
Poland	(Zloty)	32410.86	21917	12757.2	21014.6
Portugal	(Escudo)	258.199	174.6	101.629	167.412
Puerto Rico	(US $)	1.4788	1	0.582	0.9588
Qatar	(Riyal)	5.3832	3.6402	2.1188	3.4903
Reunion Is. de la	(F Fr)	8.6385	5.8415	3.4001	5.601
Romania	(Leu)	2188.99	1480.25	861.604	1419.3
Rwanda	(Fr)	216.56	146.457	85.2475	140.427
St Christopher	(E Carr $)	3.9933	2.7003	1.5717	2.5891
St Helena	(£)	1.00	0.6762	0.3936	0.6483
St Lucia	(E Carr $)	3.9933	2.7003	1.5717	2.5891
St Pierre	(French Fr)	8.6385	5.8415	3.4001	5.601
St Vincent	(E Carr $)	3.9933	2.7003	1.5717	2.5891
San Marino	(Italian Lira)	2468.49	1669.25	971.617	1600.53
Sao Tome	(Dobra)	354.96	240.032	139.715	230.16
Saudi Arabia	(Riyal)	5.5461	3.7504	2.1829	3.5959
Senegal	(CFA Fr)	863.85	584.158	340.018	560.105
Seychelles	(Rupee)	7.6380	5.1656	3.0067	4.9529
Sierra Leone	(Leone)	813.45	550.074	320.18	527.427
Singapore	($)	2.3490	1.5884	0.9245	1.523
Slovakia	(Koruna)	49.08	33.189	19.3182	31.8226
Slovenia	(Tolar)	201.13	136.009	79.1663	130.409
Solomon Is	($)	4.8051	3.2493	1.8913	3.1156
Somali Rep	(Shilling)	3874.96	2620.35	1525.22	2512.47
South Africa	(Rand)	5.1082c	3.4542	2.0106	3.312
		6.7725g	4.5798	2.6658	4.3914
Spain	(Peseta)	207.513	140.325	81.6787	134.548
Spanish Ports in N Africa	(Sp Peseta)	207.513	140.325	81.6787	134.548
Sri Lanka	(Rupee)	72.4834	49.015	28.53	46.9969
Sudan Rep	(Dinar)	19.2244	13	7.5668	12.4647
Surinam	(Guilder)	2.64	1.7852	1.0391	1.7117
Swaziland	(Lilangeni)	5.1082	3.4542	2.0106	3.312
Sweden	(Krona)	11.7092	7.918	4.6088	7.592
Switzerland	(Fr)	2.1443	1.45	0.844	1.3903
Syria	(£)	30.3195	20.5027	11.9339	19.6586
Taiwan	($)	39.0404	26.4	15.3666	25.3131
Tanzania	(Shilling)	733.68	496.064	288.743	475.64
Thailand	(Baht)	37.4580	25.3299	14.7437	24.2871
Togo Rep	(CFA Fr)	863.85	584.158	340.018	560.105
Tonga Is	(Pa Anga)	2.0725	1.4014	0.8157	1.3437
Trinidad/Tobago	($)	8.1937	5.5407	3.2251	5.3126
Tunisia	(Dinar)	1.5503	1.0483	0.6102	1.0051
Turkey	(Lira)	27383.69	18517.5	10778.4	17755.1
Turks & Caicos	(US $)	1.4788	1	0.582	0.9588
Tuvalu	(Australian $)	2.0725	1.4014	0.8157	1.3437
Uganda	(New Shilling)	1427.24	965.134	561.773	925.397
Ukraine	(Karbovanets)	18177.41	12292	7154.77	11785.9
U A E	(Dirham)	5.4380	3.6779	2.1408	3.5265
United Kingdom	(£)	1.00	0.6762	0.3936	0.6483
United States	(US $)	1.4788	1	0.582	0.9588
Uruguay	(Peso Uruguayo)	6.7368	4.5555	2.6516	4.368
Vanuatu	(Vatu)	173.75	117.494	68.3893	112.656
Vatican	(Lira)	2468.49	1669.25	971.617	1600.53
Venezuela	(Bolivar)	163.7772	110.75	64.4639	106.19
Vietnam	(Dong)	16061.90	10861.4	6322.09	10414.3
Virgin Is-British	(US $)	1.4788	1	0.582	0.9588
Virgin Is-US	(US $)	1.4788	1	0.582	0.9588
Western Samoa	(Tala)	3.8748	2.6202	1.5251	2.5123
Yemen (Rep of)	(Rial)	26.6220	18.0024	10.4786	17.2612
Yemen (Rep of)	(Dinar)	0.6817	0.4609	0.2683	0.442
Yugoslavia	(New Dinar)				
Zaire Rep	(Zaire)	161.88	109.454	63.7083	104.947
Zambia	(Kwacha)	962.55	650.899	378.867	624.1
Zimbabwe	($)	11.9520	8.0822	4.7044	7.7484

Special Drawing Rights February 17, 1994 United Kingdom £0.945525 United States $1.39654 Germany D Mark2.41182 Japan Yen144.761 European Currency Unit Rates February 18, 1994 United Kingdom £0.761573 United States $1.12675 Germany D Mark1.93888 Japan Yen118.049

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate. (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate : ‡ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Feb. 14: Angola devalued by approx. 48pc (3) Feb. 7: Malawi Kwacha now freely floated.
Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Friday, February 18, 1994

TRAFALGAR HOUSE

PUBLIC LIMITED COMPANY

NOTICE TO SHAREHOLDERS

CHANGE IN DIVIDEND PAYMENT DATE FROM 11th MARCH TO 6th APRIL 1994

At the Annual General Meeting of Trafalgar House to be held on Thursday 24th February 1994 the board will recommend that the final ordinary dividend of 2p per share for the year ended 30th September 1993, payable to shareholders on the register on 13th January 1994, should be paid on 6th April 1994 rather than 11th March 1994 as previously proposed.

The change in the payment date will save the company approximately £500,000 in advance corporation tax. The board believes that it is prudent to take this action and that it is in the best interests of the company and its shareholders.

Simon Keswick
Chairman

22nd February 1994

Trafalgar House Public Limited Company, 1 Berkeley Street, London W1A 1BY.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

A licence to run telecommunication systems under section 7 of the Telecommunications Act 1984 has been granted to Vodafone Limited.

1. The Secretary of State hereby gives notice:
   (a) that he has duly reconsidered the proposals in respect of which he published notices on 17 February 1993 and 15 March 1993 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant a licence under the Act to Vodafone Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom;
   (b) that he has granted such a licence ("the Licence") to the Licensee, being a licence which includes conditions such that section 8 of the Act applies to them, thereby making the Licensee eligible to have the Telecommunications Code contained in Schedule 2 to the Act applied to it under section 10 of the Act;
   (c) that he has applied the Telecommunications Code ("the Code"), except for paragraph 10, to the Licensee throughout the United Kingdom. The application of the Code to the Licensee is subject to certain exceptions and conditions. The effect of these exceptions and condition is that the Licensee has duties:
      i. to comply with various safety and environmental conditions;
      ii. to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
      iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
      iv. to keep and make available records of the location of underground apparatus and copies of exceptions and conditions in the Licence to the powers under the Code; and
      v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
2. The Secretary of State has applied the Code to the Licensee:
   (a) because the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the Licence;
   (b) subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
3. The Secretary of State has granted the Licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
4. The Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State on 30 days notice in the circumstances specified in the Licence.
5. Copies of the Licence may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £16.00 each, postage and packing free.

L Beech (Miss) Department of Trade and Industry

COMMODITIES AND AGRICULTURE

Russia bursts aluminium balloon

By Richard Mooney

The aluminium market's balloon was burst yesterday by the Russian official who single-handedly pumped it up just a week ago.

The metal's three month delivery price climbed to an 18-month peak of $1,332 a tonne last week following Mr Vladimir Kalchenko's assurance on Tuesday that his country's output cuts of 100,000 tonnes under the multilateral scheme agreed in Brussels last month would grow to 300,000 tonnes by the end of April. But yesterday, Mr Kalchenko, first deputy general director of producers' group Aluminiy, told the Reuter news agency in Moscow that Russia was suspending further cuts because it was not satisfied with other producers' compliance.

The LME price quickly fell to $1,303.35 a tonne, down $18.25 on the day, but still more than $70 ahead of the level ruling at the time of Mr Kalchenko's original statement.

"We have already cut output by more than one third of what we promised," the Aluminiy official said yesterday. "We will continue only after we see other world producers doing the same."

He pointed to the failure of French producer Pechiney to give details on the size and timing of its promised output cuts as "an exact example of what we are displeased with". Pechiney said on February 10 that it would lower production temporarily but had not decided where the cuts would be made or how big these would be.

● Some of Brazil's aluminium producers are studying the possibility of reducing production but so far no new cuts are planned, according to company officials, reports Reuter from Rio de Janeiro.

At a meeting of the Brazilian Aluminium Association on Friday, producers decided against industry-wide cuts and agreed that individual companies should be responsible for production levels.

"We have not decided whether or not to cut production," said Mr Carlos Ermirio de Moraes, director of Companhia Brasileira de Aluminio, which produces 215,000 tonnes of aluminium a year. "We do not think, however, that cuts should start with CBA".

Aluvale, an aluminium holding of state mining giant Companhia Vale do Rio Doce, was also considering cutting production at its two associated companies, Valesul and Albras, said Mr Francisco Pitella, the sales director. But he added that an early decision was not expected.

Codelco divisions to have more autonomy

By David Pilling in Santiago

Codelco, Chile's state copper company, is to change its management structure to allow its six divisions more autonomy. The new structure will come into effect on March 11 when Mr Juan Villarzú takes over as head of Codelco under the new administration of president-elect Eduardo Frei.

Mr Villarzú has scrapped the post of vice-president for operations, an intermediary between the Santiago-based headquarters and the managers of the mining, power and workshop divisions.

"The transformation of Codelco into one of the most profitable large mining concerns in the world requires rapid and effective decentralisation," Mr Villarzú said. He proposed the scrapping of the operations vice-presidency and the "immediate creation of an administration council in each of the divisions, with the consequent strengthening of decision-making at that level".

Pressure to streamline Codelco's structure has grown enormously since last month's metal futures fiasco, in which one Codelco trader is alleged to have lost the company $206m. Critics of Codelco argue that its unwieldy structure and "giganticism" were partly responsible for the lack of control over futures operations.

Even before the scandal, Mr Villarzú had emphasised the need to "modernise" Codelco through the creation of autonomous divisions. Each unit, including some of the break-even mines, may eventually be required to operate at a profit.

Many of Codelco's top executives resigned after the futures trading scandal, giving Mr Villarzú free hand to bring in an entirely new team.

Shephard says probe of French pig aid does not go far enough

By Alison Maitland

UK agriculture minister Mrs Gillian Shephard yesterday welcomed European Commission moves to investigate alleged illegal state aid to French pig producers but said they did not go far enough.

Speaking at the farm council in Brussels, Mrs Shephard said: "Although the French authorities announced two schemes, for FFr30m (£3.5m) and FFr300m in September and October last year, the commission action appears to be against only the first scheme."

Britain's National Farmers' Union, complaining to Brussels last week, said the French payments were causing the UK pig industry to bleed to death.

Urging swift action by the commission, Mrs Shephard said pig producers throughout the European Union had suffered for the past year from oversupply, because of an expansion in pig herds in most member states.

"France is as much to blame as anyone," she said. "By introducing its own national measures, the French government adds to the problems in every other country, and rewards its own producers who have contributed to the oversupply and current market difficulties."

Special aid is not the only form of financial support for continental pig producers that encourages expansion and puts British producers at a disadvantage, according to a report by the UK Meat and Livestock Commission.

Corporate tax arrangements are more flexible in Denmark, France and the Netherlands than in Britain, it says. "The main areas of flexibility that could be encouraged in Britain are in the depreciation of capital investment, the ability to average net income over a three- to five-year period and the use of tax credits for training."

Institutions lending to pig farmers see them as a lower risk on the continent than is the case in Britain, and price stabilisation schemes also help, the report says.

It adds that "a striking feature of the Danish, French and Dutch pig production systems is the degree of producer co-operation, normally encouraged by respective governments."

This provides strong links between producers, processors and retailers, improved power when buying supplies, and an ability to negotiate advantageous loans. "Whereas almost 100 per cent of pig production in Denmark, France and Netherlands is covered by collaborative arrangements, the coverage for Britain is only about 40 per cent."

The report says a British ban on the use of sow tethers and stalls in 1999 will bring extra costs for producers compared with their European counterparts. "This change is a watershed and may result in major disinvestment by a significant proportion of the industry," it concludes.

Beef mountain is down but not out

More curbs are on the Brussels agenda, writes Deborah Hargreaves

Racks of frozen beef stacked in a cold store in east London bear witness to one of the European Union's more costly and complex schemes to support farmers. It will spend about Ecu1.38bn (£1.08) on buying up surplus beef from farmers this year as part of the common agricultural policy's intervention system.

Stocks of beef in cold stores across the EU hit a record level of 1.1m tonnes a year ago, leading to calls for cuts in the beef mountain. The amount of beef in intervention stores has since more than halved to 430,000 tonnes as a result of CAP reform and increased export opportunities.

But the European Commission believes this is only a short-term respite and is urging farm ministers to agree further production curbs this year.

Mr Rene Steichen, agriculture commissioner, recently warned that the drop in beef stocks has not so much been caused by reform, "but has to be explained by the cyclical movement of production". He fears that the market will not remain so positive but will move into imbalance caused by over-production in one to two years.

Mr Steichen is calling for prompt action to make adjustments to the beef regime in a "calm" environment "rather than in an emergency situation as has all too often been the case in the past".

His calls are backed by the UK government which wants to trim spending on beef – the second most expensive support system in the agricultural budget, beaten only by cereals. The commission is proposing adjustments to beef premium payments and is hoping that reforms already in place will reduce the role played by intervention.

"It's days are numbered as a real outlet and we hope it will end up as what it was always intended to be: a last resort," a commission official explains.

Instead of acting as a safety net to keep farmers producing beef, the intervention system encouraged over-production and the EU still raises far more beef than it needs. Ireland, for example, produces seven times its own beef consumption, with about 75 per cent usually going straight to intervention stores.

"Some farmers were producing heavyweight carcasses that had no commercial market and were going straight into intervention," a UK farming official says.

The irony about the support system is that the beef is often sold years after it is bought at a price that is not high enough to cover the costs of keeping it in cold storage – about £2.30 a tonne each week.

Intervention beef hit the headlines in the UK last year when six-year old meat turned up at a butcher's shop in Devon. Sensitivity still runs high over frozen meat and the manager of an east London cold store demands anonymity for himself and his store even though his beef is a mere 18 months' old. Outside, "Meat is Murder," is scrawled on a wall.

CAP reforms are starting to bite into the intervention system and will have an effect on overall beef production. Intervention prices have been cut by 5 per cent and will be come down by another 10 per cent over the next 2 years.

On top of this, boards cannot buy until the market price falls to 80 per cent of the intervention price (which is set each year). This level will be cut to 60 per cent.

At the same time, the EU has set gradually falling ceilings for the amount of meat that can be bought by intervention boards each year. This year 650,000 tonnes can be put into store, falling to 350,000 tonnes by 1997. It has also restricted the size of carcasses that can be bought.

The commission can take action on its own to limit further the size of animals that can be bought by intervention as a way of reducing stocks. But if the EU's beef regime is to fit in with the requirements of the General Agreement on Tariffs and Trade, farm ministers will have to consider further reforms such as reducing beef premium payments, cutting export refunds or further restrictions to intervention as a way of trimming output.

Cocoa pact relaunch likely today

By Alison Maitland

Cocoa-producing and consuming countries are expected today to launch a new five-year agreement to bring supply and demand into balance, despite continuing delays in signing up members.

Delegates at a council meeting of the International Cocoa Organisation (ICCO) in London yesterday were optimistic that a gathering under United Nations auspices would put the agreement into force.

The cocoa pact, agreed last July, requires the backing of countries representing 80 per cent of world exports and 60 per cent of imports.

It appeared yesterday that these thresholds had still not been formally reached. It was unclear whether Brazil, the second largest producer, had completed membership formalities, while Italy, Portugal and Ireland on the consumer side faced procedural delays in ratifying the agreement.

However, countries that have joined have the right to decide under the sponsorship of the UN Conference on Trade and Development whether to start the new agreement anyway, pending the arrival of the new members.

The pact, which was due to come into effect last October, will set up management committees to control output and encourage consumption. Despite the prospect of a third or even fourth consecutive shortfall in cocoa supplies, world stocks are around 1m tonnes and the ICCO still has 180,000 tonnes of buffer stock to liquidate. World prices are about £900 a tonne, compared with £2,000 in 1984.

MARKET REPORT

Coffee rise meets resistance

COFFEE prices rose again at the London Commodity Exchange yesterday. The May futures position edged up to resistance at $1,250 a tonne before backing off $1 by the close, still up $6. Traders said sentiment was still friendly although some thought the market looked overbought and that producer selling might be attracted.

The COCOA market cautiously embraced Friday's strong gains in New York, which were attributed to chart-inspired fund buying. By the close the May position was £13 higher at £932 a tonne, having eased from an earlier peak of £937.

Traders said the US jump was primarily a short-covering rally and predicted more sober gains for London. "We'll probably consolidate here, we don't have the spec interest," one said.

Compiled from Reuter

Brazilian tin giant poses export conundrum

Patrick McCurry reports on questions raised by Paranapanema's recently-announced production cut

The drastic production cuts announced recently by Brazil's Paranapanema, the world's largest tin company, is not expected not lead to an equivalent reduction in its exports this year because of purchases of tin ore from wildcat miners.

Despite Paranapanema's denials, market analysts expect the company to increase these purchases, particularly if international tin prices continue to recover.

Paranapanema announced on February 3 that it would cut its production of tin concentrate by 45 to 50 per cent – from 12,955 tonnes last year to between 6,500 and 7,000 this year – in an attempt to reduce world tin stocks, conserve its own reserves and push up prices. The company made two cuts of 10 per cent each last year in response to falling international tin prices.

It said the cut would contribute to bringing down world tin stocks from 41,000 tonnes at the end of last year to 23,000 by the end of this year.

The production cut, which Paranapanema says represents about 3.5 per cent of estimated world tin demand this year, will be concentrated at the company's Pitinga mine in the Amazon, which has traditionally accounted for more than 90 per cent of the company's production and half of Brazil's.

Ms Adriana França, an analyst at the Brazilian subsidiary of London-based broker W.I. Carr, says: "Paranapanema wants to maintain its reserves at its Pitinga mine until prices are higher and increase its purchases of tin ore from wildcat miners".

Mr Arislando Prado, Paranapanema market relations director, said in a written statement that the decision had nothing to do with the unexpected resignation of company president Dr Samuel Hanan at the end of last year. Dr Hanan is still working with Paranapanema as a consultant and resigned as president for personal reasons, according to the company.

In addition to Pitinga, Paranapanema owns half of the Ebesa joint venture, which buys ore from wildcat miners at the Bom Futuro site in Rondônia state. Last year Paranapanema's share of Ebesa production was about 4,000 tonnes.

Ms França says she has been told by Paranapanema that its purchases from Bom Futuro via Ebesa will increase by 1,000 tonnes and she calculates that the company's exports will therefore be reduced by about 30 per cent. The local media has also reported Paranapanema's intention to increase purchases from wildcat miners. However, the company is now denying that any increase is planned.

Mr Heinz Feldenheimer, a Sao Paulo-based tin trader, says he expects higher prices to attract more wildcat miners to Bom Futuro and that Paranapanema will increase its purchases substantially: "For Paranapanema it makes sense because they don't have to invest or risk anything, they just buy from the independent miners".

Mr Feldenheimer also expects the recovering world tin price to spur Brazilian companies to export more this year than last, even though its quota, agreed with the Association of Tin Producing Countries last October, is lower. Although Brazil is not a member of the organisation it has agreed to an export quota of 20,175 tonnes this year, compared with 24,000 last year.

Because of the closed nature of Paranapanema and its dominance of the Brazilian tin sector, accurate production and export statistics are difficult to obtain.

The Brazilian Tin Producers Association, whose president is a Paranapanema official, refuses to comment on the company's cuts and the association says that it cannot yet release figures for Brazil's tin concentrate exports last year. However, preliminary data from the association puts last year's production at 21,000 tonnes, of which 15,000 tonnes was exported – far below the 24,000 tonne quota.

This raises questions about Paranapanema's stated production of 17,000 tonnes last year, which includes Ebesa production. According to Ms França, 98 per cent of the company's production is for export and that would mean that Paranapanema and its share of Ebesa exceeded Brazil's total tin exports.

Mr Feldenheimer speculates that the company could have retained stocks last year because of the low prices, which hit $4,600 per tonne in September. Since then the London Metal Exchange three months delivery tin price has recovered to over $5,600 a tonne, partly because of the ATPC agreement, and producers are hoping that it will reach $6,500 by the end of the year.

Other tin companies are not expected to increase production to compensate for Paranapanema's cut, according to Mr Luiz Carlos Bacil, executive director of Corumbatai Metais. He says his company is operating at half its 600-tonnes-a-month capacity.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1290.5-1.5	1303-3.5
Previous	1300-1	1321-2
High/low		1318/1303
AM Official	1291.5-2.5	1312.5-3
Kerb close		1309-10
Open int.	276,014	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1135-40	1155-60
Previous	1140-5	1160-5
High/low		1155
AM Official	1135-40	1155-60
Kerb close		1155-60
Open int.	N/A	
Total daily turnover	N/A	

■ LEAD ($ per tonne)

Close	474.5-5.5	488-9
Previous	485-6	498-9
High/low		494/487
AM Official	474.5-5	489-9.5
Kerb close		488-8.5
Open int.	34,380	
Total daily turnover	N/A	

■ NICKEL ($ per tonne)

Close	5830-40	5890-5
Previous	5905-15	5960-70
High/low		5950/5880
AM Official	5870-2	5930-5
Kerb close		5910-5
Open int.	49,502	
Total daily turnover	N/A	

■ TIN ($ per tonne)

Close	5545-55	5550-60
Previous	5645-55	5840-50
High/low	5625	5630/5550
AM Official	5624-5	5620-5
Kerb close		5595-600
Open int.	20,202	
Total daily turnover	N/A	

■ ZINC, special high grade ($ per tonne)

Close	958.5-9.5	976-6.5
Previous	977.5-8.5	994-5
High/low		985/976
AM Official	963-4	980.5-1
Kerb close		977-8
Open int.	106,426	
Total daily turnover	N/A	

■ COPPER, grade A ($ per tonne)

Close	1865-6	1887-8
Previous	1885-6	1906-7
High/low	1864.5	1886/1884
AM Official	1863.5-4	1886-6.5
Kerb close		1896-7
Open int.	251,747	
Total daily turnover	N/A	

Base metals continued

■ LME AM Official £/$ rate: 1.4755
LME Closing £/$ rate: 1.4752

Spot: 1.4742 3 mths: 1.4689 6 mths: 1.4651 9 mths: 1.4625

US MARKETS
February 21: The U.S. Commodity markets were closed for Presidents Day.

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	379.90-380.30	
Opening	380.10-380.50	
Morning fix	379.75	256.987
Afternoon fix	380.00	257.181
Day's High	380.20-380.60	
Day's Low	379.50-379.90	
Previous close	378.30-378.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.00 6 months 3.16
2 months ....3.03 12 months 3.32
3 months 3.08

Silver Fix	p/troy oz.	US cts equiv.
Spot	351.10	518.00
3 months	355.35	522.30
6 months	358.30	526.70
1 year	367.25	536.90

Gold Coins	$ price	£ equiv.
Krugerrand	381-384	258-261
Maple Leaf	390.15-392.65	-
New Sovereign	90-93	61-64

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	13.16	+0.04	13.21	13.05	68,365	8,901
May	13.31	+0.03	13.35	13.28	26,270	2,211
Jun	13.47	+0.01	13.53	13.49	12,048	139
Jul	13.58	-0.03	13.70	13.58	8,238	284
Aug	13.75	-0.06	13.87	13.75	4,474	80
Sep	13.93	-0.18	-	-	2,654	-
Total					126,788	9,524

■ GAS OIL IPE ($/tonne)

Mar	138.25	-0.75	138.50	137.75	35,601	4,763
Apr	137.50	-0.50	138.75	137.50	20,109	1,516
May	137.00	-0.75	138.00	137.00	13,083	710
Jun	137.75	-0.75	138.25	137.75	15,396	402
Jul	139.75	-0.75	141.00	140.00	10,281	522
Aug	142.25	-0.50	143.00	142.25	4,883	126
Total					117,340	8,486

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	100.30	+0.50	100.30	100.30	726	68
May	101.60	+0.65	101.95	101.40	1,952	167
Jun	101.75	+0.75	102.00	101.50	340	122
Sep	90.45	+0.20	90.60	90.50	167	10
Nov	91.35	+0.20	91.50	91.45	908	75
Jan	93.25	+0.15	93.40	93.20	314	65
Total					4,479	497

■ BARLEY LCE (£ per tonne)

Mar	103.40	-0.35	104.00	104.00	369	14
May	103.95	+0.20	-	-	204	-
Sep	91.95	+0.20	92.00	92.00	113	12
Nov	93.90	+0.20	93.90	93.80	54	20
Jan	95.50	-	-	-	3	-
Mar	98.75	-	-	-	-	-
Total					743	46

■ POTATOES LCE (£/tonne)

Mar	165.0	-	-	-	34	-
Apr	109.0	-0.1	111.0	109.0	1,753	69
May	127.5	-0.5	129.5	127.5	980	40
Jun	130.0	-	-	-	2	-
Nov	80.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,777	109

■ FREIGHT (BIFFEX) LCE ($10/index point)

Feb	1132	-9	1132	1132	132	3
Mar	1145	-5	1145	1140	343	9
Apr	1210	-1	1210	1204	1,274	133
Jul	1100	-8	1100	1099	530	42
Oct	1250	-3	1249	1248	243	1
Jan	1285	-5	-	-	74	-
Total					2,626	193

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	918	+12	919	908	18,176	2,127
May	935	+14	937	920	21,494	2,537
Jul	941	+11	944	930	11,968	484
Sep	953	+10	954	944	11,121	172
Dec	967	+15	967	956	16,593	873
Mar	984	+15	983	967	25,193	657
Total					119,569	6,886

■ COFFEE LCE ($/tonne)

Mar	1242	+10	1243	1232	5,091	774
May	1249	+6	1250	1238	15,512	1,512
Jul	1242	+10	1243	1233	7,536	748
Sep	1241	+3	1248	1238	3,416	309
Nov	1243	+11	1241	1238	3,157	49
Jan	1242	+8	1240	1235	3,948	86
Total					38,664	3,478

Softs continued

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	11.24	-0.07	-	-	1,184	-
May	11.89	-0.09	11.65	11.65	1,289	5
Jul	11.98	-0.14	12.00	12.00	2,853	20
Oct	11.43	-0.17	-	-	130	-
Total					5,456	25

■ WHITE SUGAR LCE ($/tonne)

May	311.50	-2.70	313.00	310.50	7,139	223
Aug	309.30	-3.00	310.80	306.20	3,152	162
Oct	294.40	-2.40	296.00	291.20	2,842	89
Dec	292.20	-2.70	293.00	291.00	107	8
Mar	292.40	-2.50	291.10	291.00	111	10
May	295.10	-2.00			27	-
Total					13,378	497

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	-	-	-	-
1300	-	-	-	-
1325	-	-	-	-
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	-	-	-	-
1900	-	-	-	-
1950	-	-	-	-
■ COFFEE LCE	May	Jul	May	Jul
1200	74	90	25	46
1250	46	65	47	73
1300	27	46	78	104
■ COCOA LCE	May	Jul	May	Jul
875	78	90	18	24
900	59	74	26	33
920	45	60	37	44
■ BRENT CRUDE IPE	Apr	May	Apr	May
1350	26	56	60	75
1400	12	38	98	105
1450	7	23	141	142

Tea
Landed teas met strong demand, reports the Tea Brokers' Association. The small quantity of Assams on offer readily featured [illegible] dearer but closed about steady. Brighter liquoring ceylons moved 3 to 5p higher while prices for most others were irregularly lower. Offshore good demand. Brighter teas appreciated 3 to 5p and plainer types sold well at last levels. Quotations: quality 195p/kg, good medium 140p/kg, medium 116p/kg, low medium 84p/kg.

LONDON SPOT MARKETS

■ CRUDE OIL, FOB (per barrel/Apr)		+or-
Dubai	$12.20-2.28w	-0.145
Brent Blend (dated)	$13.04-3.06	-0.015
Brent Blend (Apr)	$13.14-3.18	-0.09
W.T.I. (1pm est)	N/A	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$153-155	
Gas Oil	$141-142	-1.5
Heavy Fuel Oil	$77-79	+0.5
Naphtha	$132-134	-0.5
Jet Fuel	$156-158	+0.5
Petroleum Argus Estimates		

■ OTHER		
Gold (per troy oz)♣	$380.10	+1.80
Silver (per troy oz)♣	519.0c	+2.5
Platinum (per troy oz.)	$398.25	-0.75
Palladium (per troy oz.)	$133.25	-0.85
Copper (US prod.)	92.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	15.14m	-0.01
Tin (New York)	259.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	124.51p	+0.77*
Sheep (live weight)†♠	121.07p	+7.28*
Pigs (live weight)	74.22p	+1.79*
Lon. day sugar (raw)	$274.30	+2.40
Lon. day sugar (wte)	$317.00	+2.20
Tate & Lyle export	$296.00	+2.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£129.0	
Wheat (US Dark North)	£143.5	
Rubber (Mar)♥	64.00p	+0.25
Rubber (Apr)♥	64.25p	+0.25
Rubber(KL RSS No1 Feb)	238.50m	-1.00
Coconut Oil (Phil)§	$572.5x	+2.5
Palm Oil (Malay.)§	$377.5	+2.6
Copra (Phil)§	$370.0	
Soyabeans (US)	£196.0z	
Cotton Outlook A Index	80.95c	+0.10
Wooltops (64s Super)	377p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Apr. z Mar. † Feb/Mar. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

INDICES

■ REUTERS (Base: 18/9/31=100)

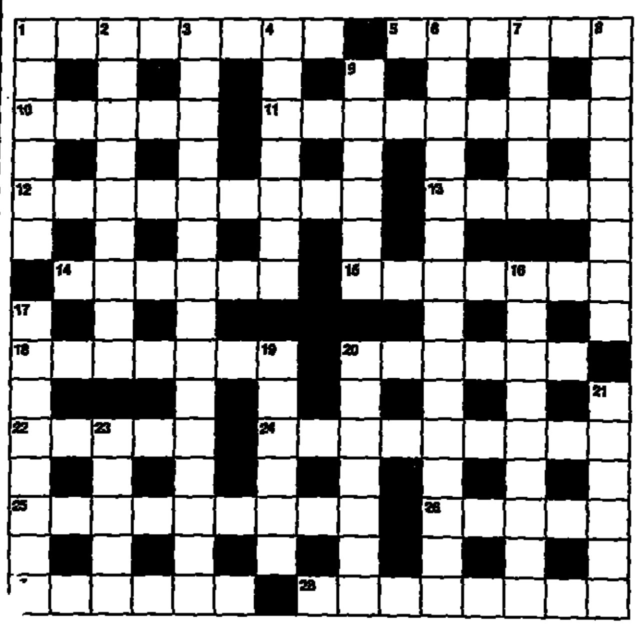
Feb 21	Feb 18	month ago	year ago
1792.9	1792.7	1707.5	1774.2

■ CRB Futures (Base: 4/9/56=100)

Feb 18	Feb 17	month ago	year ago
227.31	226.56	225.28	202.73

CROSSWORD

No.8,386 Set by DANTE



ACROSS

1 Glance at the fixtures – not much on (8)
5 Take it if you mean to stay dry (6)
10 Philosopher saved in a dangerous situation (5)
11 Such a rite is suited to a solemn sacrament (9)
12 Unusually chaste tie is tasteful (9)
13 Total capital withdrawn from golf club (5)
14 Wave – or wave-maker (6)
15 Point to observe about international runner (7)
18 Stack of food the farmer may plunge his fork into (7)
20 Go away and see a relative about five (6)
22 Deploring turn in a circus, perhaps (5)
24 As used for writing down music? (4-5)
25 He played a lion-tamer plus about 100 parts (9)
26 Ring, quick, it's a girl! (5)
27 Gloss over title in the Spanish style (6)
28 Biased team and what may be done about it (3-5)

DOWN

1 Underground route (6)
2 Matching gloves, for example, for an accomplice (9)
3 Money once made from rendering of "Silent Night" and "Noel" (3,8,4)
4 He may give a seat to someone standing (7)
6 Top team lose in a cup-game arranged around the end of March (6,9)
7 The general trend in current travel (5)
8 Threatened to get money (8)
9 It is suspended when it is very cold (6)
16 Applied no make-up, but was brilliantly arranged (9)
17 Point to Burke's accomplice, holding a cigarette, in the dock (8)
19 Light linked to switch (6)
20 Anitra's dance for a mechanic (7)
21 One in favour of half day closing (6)
23 Country raising assistance to Northern Island (5)

Solution to Saturday's prize puzzle on Saturday March 5.
Solution to yesterday's prize puzzle on Monday March 7.

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Support levels regained in spite of late setback

By Terry Byland,
UK Stock Market Editor

The London stock market struggled hard yesterday to hold on to its nearest support levels as confidence was challenged by a renewed sell-off in European government bond markets after the strike talks at IG Metall, the German steel group, took an aggressive turn. The FT-SE 100 Index closed 32.3 down at 3,350.3, having dipped through the support level to touch 3,347.9 as both stock index futures and UK gilts fell sharply in late dealings.

Trading in the London market was inhibited by the public holiday closure of Wall Street yesterday and by uncertainty ahead of today's testimony to Congress by Mr Alan Greenspan, head of the Federal Reserve Board, when he is expected to spell out his views on inflationary pressures on the US economy.

UK stocks opened lower but the initial fall of nearly 30 points on the FT-SE 100, leaving the 3,350 level secure for the moment, was reduced to 12 points when the March future on the index rallied from its early loss.

With the big institutions unwilling to sell stock until Wall Street returns to normal trading, probably tomorrow, share prices steadied and the market traded calmly in modest turnover for most of the session. Once again, the setback in equities reflected a withdrawal of buyers rather than an increase in selling pressure.

The shock came very late in the day, when the March contract on the Footsie dropped to around 3,330, a significant discount against the stock market, as the IG Metall news provoked renewed selling of bonds in Germany and the UK. The fall was prompted by an extension of earlier losses in British government bonds which left longer dated issues with falls ranging to around ¾ of a point.

Account Dealing Dates		
*First Dealings: Feb 14	Feb 28	Mar 14
Option Declarations: Feb 24	Mar 10	Mar 24
Last Dealings: Feb 25	Mar 11	Mar 25
Account Day: Mar 7	Mar 21	Apr 5

*New time dealings may take place from two business days earlier.

The FT-SE 100 Index last traded below 3,350 on December 21, so any further slide from last night's close will finally wipe out the gains scored in the surge in the index at the beginning of this year. Interest rate prospects have been the principal factor in the market.

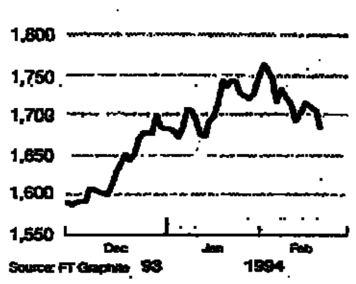
Traders stressed that uncertainty, rather than bearishness, was the keynote of the day. This week also offers a heavy list of trading statements from leading British companies, with Unilever and SmithKline Beecham leading the way today, and ICI and British Aerospace following later in the week.

Hopes that British base rates can still be reduced soon in spite of the latest rise in rates across the Atlantic were shaken by the renewed selling in European bond markets yesterday. "A steadier trend in bond prices is a prerequisite for any recovery in share prices," was the blunt comment from one leading dealer.

Although the general uncertainty spread across equities yesterday, bringing a fall of 41.6 points in the FT-SE Mid 250 Index to a closing level of 3,983.9, trading volumes indicated no overall threat at present to market confidence. Seaq volume dipped to 506.1m shares from Friday's 630.9m.

Daily value of retail, or customer, business in equities, which has been falling away over the past week, stood at only £1.3bn on Friday, well below the levels of a fortnight ago, albeit still a satisfactorily profitable level for the London-based securities industry. Investors remain convinced that the UK authorities will be able to trim domestic base rates again shortly and hope that France will set the lead to lower rates in the near future.

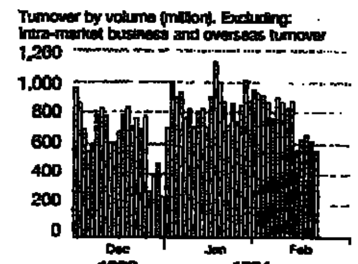
FT-SE-A All-Share index



Source: FT Graphite 93

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3350.3	-32.3	FT Ordinary index	2585.8	-21.1
FT-SE Mid 250	3983.9	-41.6	FT-SE-A Non Fins p/e	22.45	(22.66)
FT-SE-A 350	1695.8	-16.6	FT-SE 100 Fut Mar	3332.0	-36.0
FT-SE-A All-Share	1686.96	-16.06	10 yr Gilt yield	6.75	(6.63)
FT-SE-A All-Share yield	3.36	(3.33)	Long gilt/equity yld ratio:	2.15	(2.13)

Best performing sectors
1. Printing, Paper & Pckg .... +0.1
2. Oil Exploration .... -0.1
3. Engineering, Vehicles .... -0.2
4. Pharmaceuticals .... -0.2
5. Leisure & Hotels .... -0.3

Worst performing sectors
1. Extractive Industries .... -2.8
2. Electricity .... -2.4
3. Merchant Banks .... -1.8
4. Breweries .... -1.7
5. Spirits, Wines .... -1.7

Switch lifts Bowater

The paper and packaging sector suffered the effects of a shift in funds after UBS, the Swiss-owned securities house, advised investors to switch holdings from Bunzl to Bowater. The former dipped 4 to 178p while the latter resisted the overall market trend to rise 7½ to 483½p.

The Swiss house argued that, after a fall of 40p over the past month, Bowater was on an undeservedly low market rating. It told clients that the company was a recovery stock with long-term growth prospects and had made acquisitions in "some above-average growth markets".

Alternatively, UBS believes that Bunzl's share price has already taken on board the recovery in paper prices and that the company needs to make both a rights issue and acquisitions if it is to maintain its premium rating.

Cider activity

A profits warning from Merrydown sent the cider group's shares tumbling 54 to 159p. It also prompted speculation that another drinks group might be tempted into a bid move. Merrydown blamed a downturn in sales to the wholesale market.

Analysts, who had been expecting a doubling of profits to around £3.5m, pulled back to the £400,000 mark. Although initially hit by the news, the other two listed cider groups recovered as some market investors decided that the problems were specific to Merrydown. Taunton finished 7 adrift at 162p, while H.P. Bulmer declined 5 to 449p.

The regional electricity companies (recs) remained under heavy downside pressure. Dealers said worries about a potential 40 per cent hit on pre-tax profits after the distribution review, expected sometime in July, was behind the slide in the share prices.

On the plus side for the recs, however, were hints that there could be news later this month of the sell-off of the recs' shareholdings in the National Grid. These range from 5 per cent to 12 per cent.

The biggest losses in the sector were recorded by Manweb, which dropped 31 to 744p, and London and Norweb, down 27 apiece to 636p and 699p.

Broker recommendations ahead of tomorrow's full-year figures from British Aerospace helped the shares bounce 5 to 531p, making it among a handful of Footsie stocks that moved against the poor market trend.

The group is expected to report a loss because of the inclusion of a £250m provision, but substantial improvement is expected in the underlying performance. Strauss Turnbull reiterated its buy recommendation, as did NatWest Securities.

Sentiment was further boosted by reports that BAe would soon announce a £50m property sale, and news that airline Cathay Pacific had firmed up an order for six aircraft from Airbus Industrie, in which BAe has a 20 per cent stake.

Anglo-Dutch food giant Unilever slipped ahead of full-year figures due today, on concern that these might contain hefty restructuring charges. Speculation has focused on the company's US detergents business, which operates in a highly competitive market, and in which Procter & Gamble, Unilever's arch rival, has already disclosed substantial provisions. Analysts' forecasts for today's profits figures from Unilever range from £2.250bn to £2.325bn. The shares ended 7 off at 1199p.

Shares in Thorn EMI approached their all-time high ahead of today's third-quarter results as NatWest Securities drew investors' attention to the group's multi-media potential. In the light of several recent deals in the sector, the most recent being the $10bn Paramount deal in the US, the broker believes Thorn to be undervalued.

Mr Jason Holden, sector analyst at NatWest, said: "Thorn's music interests offer prime access to the rapid growth of 'superhighways' in the new multi-media era. The market has underestimated the potential for a rerating." The stock gained 9 at 1138p.

Chemicals leader ICI fell 14 to 760p as a number of analysts repeated their unenthusiastic views on the company ahead of full-year figures expected on Thursday. Kleinwort Benson has the stock as a sell and anticipates fourth-quarter profits of £65m to give an annual figure of £305m. NatWest Securities, James Capel and Hoare Govett are similarly gloomy.

Pharmaceuticals group Glaxo firmed 2 to 681p against the trend as the closure of the US market, where most of the sellers are congregated, gave the bulls a chance.

SmithKline Beecham "A" held steady at 406p ahead of today's full-year figures. Hoare Govett's forecast of £1.22bn is at the high end of the range, but Lehman Brothers, the US house, cut its estimate to £1.18n from £1.21bn because of what it considers disappointing third-quarter sales.

Wellcome failed to respond to positive reports on its anti-Aids treatment. A federally financed study found that AZT dramatically reduced the transmission of the Aids virus from infected mothers to their newborns, a US newspaper reported. However, Wellcome receded 13 to 643p.

In a sagging property sector, Land Securities retreated 17 to 723p amid talk of one broker cutting its net asset valne forecasts. British Land fared slightly better, off 4 at 428p, as it announced a deal to buy a 29.9 per cent stake in Stanhope, the indebted developer. The news lifted Stanhope 14 to 42p as hopes rose that its refinancing discussions with its banks might be boosted by its British Land link.

One of the market's leading agency brokers was said to have tried unsuccessfully to place a block of 2m Royal Insurance shares in the market at 310p. Royal lost 8 at 306p.

BT was weakened by a sell note published by Credit Lyonnais Laing, the French-owned stockbroker, which forecast a slowing down of the rate of dividend growth.

CLL said cost-cutting measures at BT "will be insufficient to offset the assault on revenues". BT shares declined 7½ to 441½p and the "new" stock 8 to 323p.

The oil and gas sectors braced themselves for two sets of crucial results this week with British Gas and Shell both reporting on Thursday.

Action in the stock market concentrated on BP and Shell, with international funds said to have been switching out of Shell and into BP. The latter have fallen sharply against the FT-Actuaries All-Share index recently and also against Shell.

BP closed 2½ up at 363¾p on turnover of 7.1m. Shell fell 8½ to 720½p on 2.9m traded. The market range of current cost net income for Shell is said to range from £740m to £990m.

MARKET REPORTERS:
Christopher Price,
Peter John, Joel Kibazo,
Steve Thompson.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (66).
BUILDING & CNSTRN (3) Ashtead, Britannia, Tay Homes, BLDG MATLS & MCHTS (3) Alumasc, Gibbs Dandy A, Wilshaw, CHEMICALS (2) Akzo, Croda Intl., DISTRIBUTORS (3) Bletchley Motor, Dagenham Motors, Wills, DIVERSIFIED INDLS (1) Kvaerner B, ELECTRNC & ELECT EQUP (1) Utility Cable, ENGINEERING (4) Crabtree, Manganese Bronze, Symonds Engineering, Turnpyke, ENG. VEHICLES (1) Avon Rubber, FOOD MANUF (2) Daniels (S), Matthews (B), HEALTH CARE (1) Ferraris, INVESTMENT TRUSTS (8) Baring Sec. Emrg. Mkts., Berry Starquest, Friends Prov. Ethical Zero Prf., Grosvenor Devlpt. Cap., Leveraged Opportunity, Murray European, INVESTMENT COMPANIES (5) Baring Chrysalis, Genesis Emrg. Mkts., Korea - Europe, LEISURE & HOTELS (1) Manchester United, MEDIA (8) Abbott Mead Vickers, Grampian TVA, Hodder Headline, SelecTV, Southern Radio, Sterling Publishing, Trans World Comms., WPP, OTHER FINANCIAL (5) Carlisle, London Finance & Invs., Quayle Munro, PHARMACEUTICALS (1) Astra B, PRTNG, PAPER & PACKG (4) Fergsuon Intl., Inveresk, Portals, Watmoughs, PROPERTY (4) Green Property, Molyneux Ests., Shaftbank Prop., Stanhope Prop., RETAILERS, FOOD (1) Park Food, RETAILERS, GENERAL (2) Essex Furniture, Flying Flowers, SUPPORT SERVS (1) Coutts Consulting, TEXTILES & APPAREL (1) Lamont, TRANSPORT (2) Goode Durrant, Wah Kwong.
NEW LOWS (22).
GILTS (8) Exch. 13¼pc '94, Treas. 12pc '95, Treas. 14pc '96, Treas. 15¼pc '96, Treas. 6¾pc '04 A, Treas. 8¾pc '10, BANKS (1) Standard Chartered 7 3/8pc Pf., ENGINEERING (1) Beauford, INSURANCE (1) USF & G, INVESTMENT COMPANIES (1) Korea Liberalisation, OIL EXPLORATION & PROD (1) Atlantic Richfield, PHARMACEUTICALS (1) Scotia, PROPERTY (1) Chelsfield, RETAILERS, GENERAL (1) Burton, SPIRITS, WINES & CIDERS (1) Merrydown, SUPPORT SERVS (1) Salvesen (C), TEXTILES & APPAREL (1) Horace Small Apparel, AMERICANS (5) Amer. Cyanamid, Data General, FPL, Houston Inds., NYNEX.

EQUITY FUTURES AND OPTIONS TRADING

Renewed selling of the Footsie futures contract in the closing minutes of the session cut short attempts at a rally, indicating another sell-off today, *writes Joel Kibazo.*

The March contract on the FT-SE 100 opened sharply down at 3,358 but well above the worst fears. The continued depression in global bond markets, along with continued fears on US inflation, brought further selling of the contract and it fell through its recent support level of 3,342.

Although March stabilised at the lower levels over the lunchtime period, it traded at a discount to cash throughout the session, pulling the underlying cash market lower.

An attempted rally in the last hour petered out after another retreat in UK gilts and German bonds brought a further sell-off. March closed at 3,332, a 17-point discount to cash and around 10 points below its fair value premium to cash of about minus 7. Volume at the official close stood at 14,736 lots.

In traded options, most of the activity was carried out in the index option. Of the day's total of 35,745, some 14,525 were dealt in the FT-SE 100 option and 6,312 in the Euro FT-SE 100 option. British Steel was the busiest stock option with a total of 4,313 contracts.

In the FT-SE Mid 250 futures contract on the OMLX, a mere 105 lots were transacted.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3356.0	3332.0	-36.0	3368.0	3320.0	16937	59659
Jun	3358.0	3345.5	-36.0	3377.0	3350.0	3168	12724
Sep		3366.0	-36.0			-	390

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4,015	3,990	-25.0	4,015	4,005	105	2,756
Jun		4,005.5					

All open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3350) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P
Mar	153½	19½	114	31	80	47	53	70½	32	100½	18	140	10	181½	5	228½
Apr	171½	41	135	54½	105	74	76½	96	56	125	38½	157½	25½	194	16½	235½
May	197	58	161	72	131½	91½	102½	112	80½	140½	59	169½	45	205	32	242½
Jun	211½	69½	177½	85½	149½	106	119½	126	98	154½	76½	182½	60	216½	47½	254
Dec†	286	122½			224½	159			174	206			129	260		

Calls 6,322 Puts 7,760

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3175		3225		3275		3325		3375		3425		3475		3525	
Mar	169½	15	128½	23½	94½	37½	63½	53½	41½	81½	24	116½	13	154½	7	198½
Apr	192	35½	152	45½	121	64	88	81½	66½	109	48	137½	32	173½	28	211
May			182½	66			120	103			72½	153½			40	220
Jun			192	72½			133	112			87	164			54	229½
Sept†			235½	98			176½	136½			128	184½			88	243

Calls 3,705 Puts 2,517 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950		4000		4050		4050		4100		4150		4250	4300
Mar	50½	77.3	72	40½	100	25½	134	14½	174	8.8	207	5½	3	
Apr	76		98½	72	122	51½	163	37½		27½		18	12	

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Feb 21	Day's chge%	Feb 18	Feb 17	Feb 16	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3350.3	-1.0	3382.6	3425.3	3417.7	2838.3	3.52	5.19	23.91	5.29	1229.33
FT-SE Mid 250	3983.9	-1.0	4025.5	4054.3	4050.6	3049.0	3.07	4.81	25.49	9.55	1448.51
FT-SE Mid 250 ex Inv Trusts	4002.1	-1.0	4043.4	4070.6	4066.8	3063.5	3.16	5.14	24.07	9.40	1450.33
FT-SE-A 350	1695.8	-1.0	1712.4	1731.9	1728.6	1404.0	3.41	5.10	24.26	3.00	1274.56
FT-SE SmallCap	2067.54	-0.5	2078.37	2080.21	2076.05	1527.29	2.66	3.40	37.64	3.58	1571.00
FT-SE SmallCap ex Inv Trusts	2047.69	-0.5	2057.05	2057.33	2053.11	1531.25	2.78	3.72	35.06	3.73	1558.74
FT-SE-A ALL-SHARE	1686.96	-0.9	1703.02	1721.09	1717.78	1386.90	3.36	4.96	24.89	2.98	1290.42

■ FT-SE Actuaries All-Share

	Feb 21	Day's chge%	Feb 18	Feb 17	Feb 16	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2575.93	-0.7	2595.36	2617.21	2623.49	2082.70	3.42	4.84	25.58	4.90	1007.14
12 Extractive Industries(4)	3795.69	-2.8	3904.09	3944.19	3953.83	3060.90	3.28	4.82	24.57	0.00	1021.45
15 Oil, Integrated(3)	2514.82	-0.3	2523.04	2547.07	2551.01	1948.30	3.48	4.94	25.25	6.35	1003.05
16 Oil Exploration & Prod(11)	1871.71	-0.1	1874.44	1880.27	1881.26	1963.30	3.19	3.84	33.48	0.00	1061.35
20 GEN MANUFACTURERS(264)	2171.03	-0.8	2189.54	2205.58	2204.13	1697.80	3.39	3.08	45.01	1.93	1075.15
21 Building & Construction(31)	1538.72	-0.8	1550.43	1560.22	1554.29	914.40	2.30	1.24	80.00†	1.29	1178.00
22 Building Matls & Merchs(30)	2293.71	-0.8	2313.12	2346.84	2339.68	1517.60	3.07	2.50	55.04	1.14	1050.95
23 Chemicals(20)	2415.70	-0.8	2434.68	2451.52	2451.78	2056.00	3.82	‡	‡	0.39	1037.96
24 Diversified Industrials(16)	2129.69	-1.4	2158.99	2182.07	2187.42	1848.20	4.17	4.22	30.74	3.21	1053.35
25 Electronic & Elect Equip(34)	2176.46	-1.5	2208.53	2228.62	2236.83	1821.00	3.38	5.59	21.77	1.26	1034.25
26 Engineering(72)	1975.38	-0.4	1982.84	1982.72	1978.80	1420.40	2.74	1.98	80.00†	2.72	1103.97
27 Engineering, Vehicles(12)	2448.00	-0.2	2452.13	2440.48	2427.75	1841.20	4.26	3.16	44.31	0.06	1150.66
28 Printing, Paper & Pckg(27)	3002.53	+0.1	2999.04	3005.55	2992.02	2274.20	2.70	4.12	29.37	1.60	1153.58
29 Textiles & Apparel(22)	1957.39	-0.8	1972.85	1984.63	1984.93	1903.50	3.34	5.09	24.68	1.32	1078.58
30 CONSUMER GOODS(93)	2909.49	-1.0	2937.63	2981.72	2961.76	2855.80	3.89	6.79	17.32	5.62	969.47
31 Breweries(17)	2193.91	-1.7	2232.41	2250.85	2244.76	2103.70	4.15	7.82	15.72	9.84	961.31
32 Spirits, Wines & Ciders(10)	3038.41	-1.7	3087.92	3136.13	3123.69	2896.90	3.49	6.04	19.34	19.74	994.88
33 Food Manufacturers(23)	2483.30	-0.9	2506.68	2535.67	2535.47	2385.40	3.67	6.79	17.47	2.80	1010.98
34 Household Goods(12)	2885.35	-0.3	2894.14	2884.44	2871.32	2398.70	2.97	6.36	18.21	0.00	1007.65
36 Health Care(20)	1862.65	-0.3	1868.73	1870.07	1868.97	1811.60	2.88	5.12	23.31	0.82	1055.03
37 Pharmaceuticals(10)	3126.06	-0.2	3133.49	3195.03	3146.90	3202.00	4.02	6.80	17.11	0.00	959.15
39 Tobacco(1)	4026.76	-1.6	4093.87	4181.96	4165.18	4021.60	5.00	7.90	14.75	0.00	867.21
40 SERVICES(220)	2127.61	-0.8	2143.80	2155.99	2155.09	1784.80	2.79	5.31	22.87	3.41	1021.87
41 Distributors(31)	3163.71	-0.4	3177.63	3186.33	3182.47	2527.00	2.85	4.76	26.39	1.24	1089.24
42 Leisure & Hotels(22)	2342.44	-0.3	2349.56	2360.62	2355.96	1758.80	3.47	5.02	23.94	10.19	1134.05
43 Media(39)	3311.13	-0.7	3334.01	3349.11	3318.86	2177.10	1.84	3.83	31.13	1.70	1126.87
44 Retailers, Food(17)	1601.11	-1.2	1620.11	1657.09	1663.37	2088.60	3.86	9.98	12.44	1.82	929.71
45 Retailers, General(43)	1788.28	-0.7	1801.26	1801.47	1802.64	1464.20	2.66	5.18	24.20	4.06	935.46
48 Support Services(40)	1787.78	-0.4	1795.41	1805.55	1805.26	1545.70	2.19	6.38	17.92	0.83	1065.99
49 Transport(16)	2667.15	-1.3	2702.05	2716.81	2733.50	2070.50	3.14	3.58	32.19	2.48	1022.59
51 Other Services & Business(12)	1337.78	-0.4	1343.50	1343.78	1344.70	1356.50	3.55	3.23	43.65	0.72	1125.79
60 UTILITIES(36)	2580.42	-1.4	2615.97	2644.31	2637.68	2053.30	3.86	7.87	15.31	5.60	965.08
62 Electricity(17)	2445.30	-2.4	2505.21	2528.29	2513.03	1640.70	3.39	10.12	12.14	15.85	987.61
64 Gas Distribution(2)	2250.61	-0.7	2266.85	2289.23	2279.77	1882.70	5.21	7.55	16.56	0.00	994.38
66 Telecommunications(4)	2267.53	-1.1	2292.40	2327.91	2330.26	1907.30	3.48	5.35	22.84	0.09	943.08
68 Water(13)	1988.93	-0.6	2000.51	2004.71	1992.57	1759.30	4.65	11.38	9.70	3.48	956.95
69 NON-FINANCIALS(631)	1798.86	-0.9	1815.69	1832.65	1829.04	1521.80	3.44	5.46	22.45	2.91	1238.49
70 FINANCIALS(105)	2554.98	-1.0	2580.73	2624.68	2619.82	1846.70	3.21	3.31	42.31	6.12	980.38
71 Banks(10)	3333.40	-0.8	3360.49	3420.38	3402.53	2304.60	2.73	4.01	32.68	12.64	968.17
73 Insurance(18)	1468.13	-0.6	1476.48	1502.95	1604.63	1280.20	4.53	‡	‡	0.09	967.32
74 Life Assurance(6)	2663.27	-1.6	2705.50	2763.45	2754.37	2425.40	4.38	4.56	27.56	0.00	978.45
75 Merchant Banks(6)	3391.33	-1.8	3454.71	3536.46	3586.13	2205.70	2.67	6.44	19.03	0.00	993.70
77 Other Financial(25)	2160.90	-1.4	2191.73	2199.34	2198.40	1324.40	2.89	5.01	25.11	6.27	1124.77
79 Property(40)	1784.48	-1.5	1811.03	1833.72	1843.01	1119.30	3.46	3.12	42.62	2.01	985.49
80 INVESTMENT TRUSTS(119)	2992.36	-1.1	3024.22	3051.64	3048.03	2217.20	2.13	1.71	58.47	6.86	990.59
89 FT-SE-A ALL-SHARE(865)	1686.96	-0.9	1703.02	1721.09	1717.78	1386.90	3.36	4.98	24.89	2.98	1290.42

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3353.5	3354.9	3369.1	3370.8	3356.4	3355.7	3357.2	3358.1	3349.8	3371.9	3347.9
FT-SE Mid 250	3994.5	3992.6	3997.5	4000.2	3993.2	3991.7	3992.2	3988.7	3986.6	4000.4	3983.9
FT-SE-A 350	1698.1	1698.4	1704.4	1705.3	1699.1	1698.6	1699.3	1699.3	1695.8	1705.8	1694.9

Time of FT-SE 100 High 10.36am Low 4.23pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1478.8	1478.8	1483.9	1481.8	1480.6	1481.0	1481.0	1481.0	1480.5	1480.3	1489.8	-9.5
Pharmaceuticals	3076.7	3089.0	3093.1	3097.5	3089.4	3085.1	3085.1	3086.4	3092.7	3096.1	3103.4	-7.3
Water	1972.8	1981.5	1983.7	2001.0	1991.3	1991.0	1992.1	1989.6	1988.0	1985.7	1997.5	-11.8
Banks	3376.0	3378.7	3387.6	3387.2	3370.9	3368.9	3370.7	3377.0	3372.9	3374.5	3402.0	-27.5

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is ... The FT "500" has been renamed FT-SE-A Non-Financials index. ... under a standard set of ground rules. ... in conjunction with the Institute of Actuaries and the Faculty of Actuaries ... All rights reserved.

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	10,000	58½	+¼
Abbey National†	2,300	514	+1
Albert Fisher	229	67	-1
Allied-Lyons†	1,100	607	-13
Anglian Water†	1,100	582	-2
Argos	82	360	-6½
Argyll Group†	3,200	253	-3½
Arjo Wiggins†	662	256	+1
Assoc. Brit. Foods†	424	549	-3
Assoc. Brit. Ports	481	625	
BAA†	1,200	987	-20

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied-Lyons	600	31	41½	51	15	33½	39½
(*608)	650	9½	19	29½	46	65	70
Argyll	240	23	28½	32½	7	16	19½
(*252)	260	12	18	22½	17	27½	30½
ASDA	50	8½	12½	13½	2	3½	5
(*57)	60	4	6½	8	6	8	10½

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Hanson	260	3½	12	18	2½	12	16
(*281)	300	1	5	9	20½	25½	29
Lasmo	120	10	18½	24	1	9	14
(*129)	130	2	13	19	3½	13	19
Lucas Inds	220	6½	16½	24	2	12½	17
(*224)	240	1	7½	15	17½	24½	29

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	67	8
Other Fixed Interest	2	4	9
Mineral Extraction	27	108	72
General Manufactures	67	241	374
Consumer Goods	19	71	103
Services	52	188	261
Utilities	3	34	9
Financials	49	192	149
Investment Trusts	23	299	140
Others	34	60	32
Totals	277	1,264	1177

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 21	Last Declarations	June 2
Last Dealings	March 4	For settlement	June 13

Calls: African Lakes, Amberley, Aminex, Bardon, Beauford, Betterware, BM Group, Cannon St., Division Grp., Ennex Intl., Greenwich Res., Ibstock Johns. Wts., Kells Minerals, Microfocus, Millwall, Rodime, Scot. Natl. Cap., Wilshaw Put: Bardon Puts & Calls: African Lakes, Amberley, Betterware, Carlisle, Division Grp., Ennex Intl.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
140	F.P.	254.5	176	163	Alpha Airports	169	-1	RN4.03	2.2	3.0	19.3
150	F.P.	102.7	152	151	Chiroscience	151		-	-	-	-
150	F.P.	25.1	186	150	Clinical Computing	155	-10	-	-	-	24.7
235	F.P.	69.5	268	250	Coda	265		WN2.0	4.5	0.9	27.6
§90	F.P.	6.49	173	108	Comp Fin Sol	138	-8	N-	-	-	21.5
50	P.P.	10.4	58	55	Energy Capital	58		-	-	-	-
-	-	1.01	28	4	Do Warrants	28		-	-	-	-
100	F.P.	61.1	100	94	Herald Inv Tst	94		-	-	-	-
-	F.P	6.11	51	45	Do Warrants	47		-	-	-	-
50	P.P.	460.0	49	42	Kleinwort Euro Pvt	42	-½	-	-	-	-
-	F.P.	38.0	49	38	Do Warrants	38	-1½	-	-	-	-
50	F.P.	20.0	52	49	Mithras Inv Tst	50		-	-	-	-
-	F.P.	2.16	28	25	Do Warrants	27		-	-	-	-
-	F.P.	5.63	93	83	Pantheon Wrts	83		-	-	-	-
110	F.P.	37.3	126	122	Parkside Intl	125		RN3.0	1.5	3.0	24.5
§120	F.P.	13.4	148	122	Slimma	142		R3.7	2.5	3.3	15.0
100	F.P.	41.9	98	91½	Taiwan Inv	93	-1	-	-	-	-
-	F.P.	4.05	52	43	Do Warrants	45		-	-	-	-
-	F.P.	0.48	15	9	Thornton P.E. Wts.	12		-	-	-	-
-	F.P.	3.06	52¼	51	Do. Zero Div. Pf.	51	-¼	-	-	-	-
200	F.P.	34.1	216	19½	Trifast	215		R5.6	2.2	3.3	17.7

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
20	Nil	11/3	36pm	15pm	Beauford	15pm	
25	Nil	21/3	12pm	2pm	¥Beckenham Grp	2pm	
120	Nil	16/3	112pm	103pm	Berisford	112pm	
11	Nil	28/2	21½pm	15½pm	Carlisle	21½pm	+1
53	Nil	23/1	28pm	16pm	Spring Ram	21pm	-3
275	Nil	25/3	44pm	38pm	Stanley Leis.	44pm	
10	Nil	1/3	28pm	17pm	Utility Cable	28½pm	+1½
51	Nil	25/2	12pm	8pm	Worthington	10pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Feb 21	Feb 18	Feb 17	Feb 16	Feb 15	Yr ago	*High	*Low
Ordinary Share	2585.8	2606.9	2634.0	2633.0	2606.6	2198.0	2713.6	2124.7
Ord. div. yield	3.56	3.53	3.50	3.49	3.53	4.42	4.52	3.43
Earn. yld. % full	3.88	3.88	3.82	3.82	3.86	5.94	6.38	3.82
P/E ratio net	32.81	33.04	33.37	33.43	33.05	21.46	33.43	19.40
P/E ratio nil	30.25	30.46	30.76	30.80	30.46	19.71	30.80	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2587.0	2586.8	2600.1	2600.2	2592.0	2589.8	2591.8	2591.1	2588.5	2601.0	2585.0

	Feb 21	Feb 18	Feb 17	Feb 16	Feb 15	Yr ago
SEAQ bargains	32,894	28,692	30,345	31,314	29,698	27,865
Equity turnover (£m)†	-	1300.2	1404.3	1622.5	1621.0	1161.8
Equity bargains†	-	33,319	33,548	35,863	33,606	32,045
Shares traded (ml)†	-	566.8	617.1	667.5	631.3	506.1

† Excluding intra-market business and overseas turnover.

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24½	-⅛	£25¾	£18¼	6,704	4.3	12.9
ANZ A$		256	-7½	278½	130	3,340	3.5	20.1
Abbey National	†□	514	+1	526	345	6,738	2.9	18.8
Allied Irish I£		278	-2	314	179	1,991	3.7	14.2
Anglo Irish I£		69	—	70	28	80.7	6.5	12.1
Asahi Y		728¼	+10¼	844	415	18,892	0.6	—
Banco Bil Viz Pta		£16½	+⅛	£17¾	£13⅛	3,735	5.1	7.3
Banco Sant Pta		£34⅝	—	£36	£24⅞	3,847	3.9	13.2
Bank Leumi (UK)		480	—	480	325	39.9	5.8	Φ
Bk Ireland I£	□	280	-3	*319	177	1,379	4.5	20.7
Bank Scotland	†□	224	-2	247	116½	2,807	2.8	30.4
9¼pc Pf		134½	-2¼	141½	117¾	134.6	8.6	—
9¾pc Pf		141¼	-2¼	149½	123½	141.2	8.6	—
Barclays	†□	577½	+½	652	362	9,372	2.7	—
Dai Ichi Kan Y		£12⅛	+⅛	£15⅝	£8⅞	38,742	0.4	88.7
Deutsche DM		£322⅞	-2⅞	£349⅞	£250½	15,982	1.9	—
Espirito Santo		£24⅞	-⅛	£28⅛	£16½	258.9	3.3	5.8
First Nat Fin	□	88	—	95	45	146.7	2.1	—
6.3pc Cv Pf		90	—	91	55	6.65	8.7	—
7pc Cv Pf		167	-1	171	105	79.2	5.2	—
Fuji Bank Y		1403¾	+3¼	1651	878	49,843	0.4	—
HSBC HK	†□	1001½	-10½	1130	474	17,085	2.5	24.0
HSBC (75p Shs)	†□	977	-13	1113	490	8,871	2.6	23.4
Lloyds	□	581xd	-6	660	482	7,594	4.7	12.5
Mitsubishi Y		£18½	-⅛	£19¾	£11⅛	82,950	0.3	—
Mits Tst & Bk Y		878½	-11	1012½	462½	11,440	0.6	14.1
Mitsui Tst & Bk Y		683¾	—	692	374	4,312	0.8	23.6
Nat Aust A$		576	-3¼	628⅛	322	7,573	4.1	14.0
NatWest	†□	536	-3	634	398	8,908	4.1	32.6
Ottomane FFr		£30½	—	£33	£22¼	152.5	4.9	8.9
Ryl Bk Scotland	□	473xd	-11	528	207	3,760	2.8	21.4

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL

PROPERTY - Cont.

SPIRITS, WINES & CIDERS - Cont.

TRANSPORT - Cont.

SUPPORT SERVICES

WATER

LIFE ASSURANCE

AMERICANS

MEDIA

OTHER SERVICES & BUSINESSES

TELECOMMUNICATIONS

CANADIANS

TEXTILES & APPAREL

INVESTMENT COMPANIES

RETAILERS, FOOD

SOUTH AFRICANS

PHARMACEUTICALS

GUIDE TO LONDON SHARE SERVICE

MERCHANT BANKS

RETAILERS, GENERAL

PRINTING, PAPER & PACKAGING

OIL EXPLORATION & PRODUCTION

TOBACCO

LEISURE & HOTELS

TRANSPORT

PROPERTY

OIL, INTEGRATED

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (§) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (‡) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

TSB Unit Trusts (1200)F

Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

T.U. Fund Managers Limited (1200)H

NLA Tower, Addiscombe Road, Croydon 081-686 4355

Templeton Unit Trust Managers Ltd (1200)F

20 Castle Terrace, Edinburgh EH1 2DT 031-468 4000

INSURANCES

AXA Equity & Law Life Assce

Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	974.2	1025.4	-13.4	-
Higher Income Ser 5	1053.5	1108.9	-15.4	-
Property Ser 5	525.4	553.0	—	-
Fixed Interest Ser 5	420.7	442.8	-3.1	-
Index Linked Secs Ser 5	184.4	194.1	-1.3	-
Gilt Deposit Ser 5	289.5	304.7	—	-
Nth American Ser 5	433.7	456.5	+0.2	-
Far East Ser 5	587.1	618.0	-2.9	-
Europe Ser 5	372.0	391.6	-3.7	-
International Ser 5	571.0	601.0	-2.3	-
Balanced Ser 5	704.3	741.3	-8.8	-
Reserve Ser 5	149.8	156.8	-0.4	-
Opportunity Ser 5	164.4	173.0	-1.1	-
Distribution Ser 5	105.7	111.2	-0.7	6.47
Pens Equity Ser 3 (4)	1398.1	1471.6	-2.5	-
Pens Higher Inc S 3 (4)	337.8	355.3	-0.9	-
Pens Fixed Int S 3 (4)	568.6	598.7	-0.4	-
Pens Index-Linked Sec S 3 (4)	241.0	253.6	-1.2	-
Pens Property S 3 (4)	490.5	516.1	—	-
Pens N America S 3 (4)	192.5	202.6	-1.0	-
Pens Far East S 3 (4)	340.9	358.8	-0.9	-
Pens Europe S 3 (4)	211.6	222.7	+2.0	-
Pens Overseas S 3 (4)	867.6	913.2	—	-
Pens Balanced S 3 (4)	828.2	871.7	-0.9	-
Pens Cash S 3 (4)	421.2	443.3	—	-
Pens DAF Series 3 (4)	235.6	247.9	—	-
Pens DAF Series 1 (4)	467.4	491.9	—	-
Pens Opportunity S 3 (4)	179.9	189.3	—	-
Pens Reserve S 3 (4)	172.6	181.6	-0.1	-

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar recovers ground

The dollar yesterday retraced recent losses against the yen, closing in London at Y106.250, nearly two yen up on Friday's close of Y104.300, *writes Philip Gawith.*

The lack of any fresh data and a public holiday in the United States contributed to a quiet afternoon's trading, but dollar/yen trading in particular was fairly brisk in the morning.

In Europe the D-Mark traded steadily despite the IG Metall engineering union calling for a strike ballot in one of the regions. The French government resisted the temptation to ease policy and kept its repo rate unchanged at yesterday's auction.

A lot of attention will today be focused on Mr Alan Greenspan, chairman of the US Federal Reserve, who will deliver his biannual Humphrey Hawkins testimony to Congress today.

■ The most significant move in the markets yesterday was the sharp appreciation of the dollar against the yen in Asian trading and later in Europe. Traders said the dollar's rise had been helped by Bank of Japan intervention. The dollar reached a high of Y106.80 before closing slightly lower.

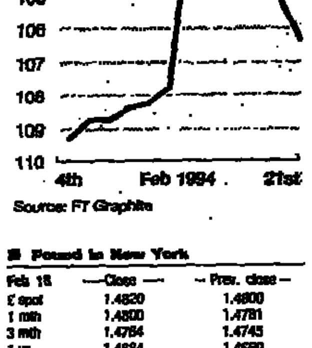
Mr Nick Parsons, chief economist at CIBC, said with US markets closed because of the President's Day holiday, US banks left stop-loss trade instructions in London. A number of these were triggered at Y106.10 and the selling thus triggered had forced the yen down to Y106.80.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the strength of the dollar could reflect nervousness ahead of the weekend meeting of G7 finance ministers meeting in Frankfurt. He said markets were wary of a statement emerging whereby other countries agreed to assist the BOJ in its efforts to stabilise the yen.

Ten days after the failed trade summit in Washington between President Clinton and Mr Hosokawa, no proposals have emerged yet from Japan about how to curb its large trade surplus with the US. Mr Koichiro Matsuura, Japan's deputy foreign minister (and chief trade negotiator) said yesterday: "Prospects for proposals which will lead to agreement are far from certain."

Yen

Against the Dollar (Y per $)



Source: FT Graphite

■ **Pound in New York**

Feb 18	— Close —	— Prev. close —
£ spot	1.4820	1.4800
1 mth	1.4800	1.4781
3 mth	1.4764	1.4745
1 yr	1.4684	1.4660

■ The D-Mark was weaker against most other European currencies. A firmer start was cancelled out by fears that industrial unrest in Germany might escalate. IG Metall, the giant engineering union, yesterday announced that it would hold a strike ballot in Lower Saxony from March 1-3.

The news caused the D-Mark to weaken over half a pfennig against the dollar to DM1.7310, but it closed slightly firmer in London at DM1.7275, a pfennig down on Friday's close. Analysts said if anything the market had overreacted to the news. From an inflation perspective the key issue is the quantum of the wage settlement and it appears already likely that there will be no real growth.

Mr Parsons said the dollar was also benefiting from foreign exchange markets catching up with bond markets, which have taken a view that a further tightening in US monetary policy is likely.

■ Sterling finished slightly firmer against the D-Mark, closing in London at DM2.5488 from DM2.5406 on Friday. Mr Hawkins said this reflected the general weakness of the D-Mark and a retreat from the recent sell-off of sterling which had been "fairly aggressive".

He said the market was using the opportunity to buy back sterling. "The underlying fact is that the UK economy is growing substantially faster than most of continental Europe and the downside for UK interest rates is also a good deal less than in those countries" he added.

Sterling was slightly weaker against the dollar, closing at $1.4755 from $1.4788 on Friday.

■ Attention will shift firmly back to the US today when markets re-open after yesterday's public holiday. With the recent 0.25 per cent hike in the Federal Funds rate having unnerved international bond markets, Mr Greenspan's comments will be closely watched.

Mr Parsons says that, whereas European markets took the Fed's recent tightening of policy to be a pre-emptive strike against inflation, US markets had taken it as a sign that the Fed was privy to information showing inflation to be worse than previously thought. "You had the bizarre spectacle of a 25 basis points rise in the discount rate putting 40 points on bond yields" said Mr Parsons.

He predicts that the chairman will today try to reassure the bond market by stressing that the inflation outlook is a healthy one.

■ The Bank of England provided the UK money market with £200m of assistance yesterday, in line with with its forecast of a similar liquidity shortage, revised from an earlier £350m estimate.

* *The Other Currencies table below will in future be published daily. The Kuwaiti dinar, the Iranian rial and the UAE dirham are re-instated while rates for the Russian rouble, the Hungarian forint and the Polish zloty will also be published.*

■ **OTHER CURRENCIES**

Feb 21	£	$
Hungary	152.805 - 153.030	103.650 - 103.700
Iran	2584.00 - 2590.00	1748.00 - 1750.00
Kuwait	0.4377 - 0.4386	0.2967 - 0.2972
Poland	32293.6 - 32304.5	21880.5 - 21891.5
Russia	2320.25 - 2321.25	1566.50 - 1567.50
U.A.E.	5.4095 - 5.4307	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	17.9194	+0.0569	126 - 261	17.9283	17.8303	17.9156	0.3	17.91	0.2	-	-	113.2
Belgium	(BFr)	52.5187	+0.1891	876 - 497	52.5497	52.2201	52.5737	-1.3	52.6887	-1.3	53.0437	-1.0	114.0
Denmark	(DKr)	9.9670	+0.0246	638 - 701	9.9701	9.9099	9.9752	-1.0	9.9927	-1.0	10.0235	-0.6	114.1
Finland	(FM)	8.2094	+0.0266	996 - 171	8.2171	8.1780	-	-	-	-	-	-	81.8
France	(FFr)	8.6624	+0.0239	567 - 680	8.6757	8.6267	8.671	-1.2	8.687	-1.1	8.7199	-0.7	107.7
Germany	(DM)	2.5488	+0.0082	478 - 497	2.5503	2.5460	2.5507	-0.9	2.5537	-0.8	2.5733	-1.0	122.1
Greece	(Dr)	368.866	+0.822	535 - 397	369.397	367.828	-	-	-	-	-	-	-
Ireland	(I£)	1.0414	+0.0017	398 - 430	1.0440	1.0382	1.042	-0.7	1.0436	-0.9	1.0496	-0.8	102.7
Italy	(L)	2471.60	+3.11	007 - 313	2475.79	2466.96	2477.55	-2.9	2491	-3.1	2542.05	-2.9	76.8
Luxembourg	(LFr)	52.5187	+0.1891	876 - 497	52.5447	52.2201	52.5737	-1.3	52.6887	-1.3	53.0437	-1.0	114.0
Netherlands	(Fl)	2.8592	+0.0088	583 - 601	2.8605	2.8451	2.8602	-0.4	2.8609	-0.2	2.8564	0.1	117.8
Norway	(NKr)	11.0273	+0.0324	239 - 306	11.0403	11.9769	11.0243	0.3	11.0166	0.4	11.0258	0.0	84.4
Portugal	(Es)	258.905	+0.706	750 - 059	259.115	257.345	259.895	-4.6	262.03	-4.8	-	-	-
Spain	(Pta)	207.972	+0.459	900 - 044	208.446	207.355	208.597	-3.6	209.772	-3.5	214.027	-2.9	84.7
Sweden	(SKr)	11.7463	+0.0371	388 - 538	11.7555	11.6982	11.7673	-2.1	11.8073	-2.1	11.9408	-1.7	76.8
Switzerland	(SFr)	2.1475	+0.0032	464 - 486	2.1490	2.1370	2.146	0.8	2.1424	0.9	2.123	1.1	117.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.7
Ecu	-	1.3169	+0.0035	163 - 174	1.3172	1.3115	1.3183	-1.3	1.3206	-1.2	1.3259	-0.7	-
SDR†	-	0.943737	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4745	-0.0028	742 - 748	1.4806	1.4719	-	-	-	-	-	-	-
Brazil	(Cr)	881.814	-1.968	684 - 964	868.000	881.000	-	-	-	-	-	-	-
Canada	(C$)	1.9780	-0.0003	769 - 791	1.9851	1.9750	1.9761	1.4	1.9719	1.2	1.9656	0.6	90.2
Mexico	(New Peso)	4.5813	-0.0104	790 - 835	4.6025	4.5772	-	-	-	-	-	-	-
USA	($)	1.4755	-0.0033	752 - 757	1.4823	1.4732	1.4768	1.6	1.47	1.5	1.4621	0.9	66.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0655	-0.007	644 - 665	2.0857	2.0622	2.071	0.9	2.0616	0.7	2.0597	0.3	-
Hong Kong	(HK$)	11.4045	-0.0267	018 - 072	11.4626	11.3878	11.4115	2.3	11.3485	2.0	11.2484	1.4	-
India	(Rs)	46.2794	-0.105	660 - 927	46.4960	46.2180	-	-	-	-	-	-	-
Japan	(Y)	156.767	+2.528	666 - 867	157.780	155.600	153.899	2.6	155.682	2.8	152.372	2.8	184.9
Malaysia	(M$)	4.1003	-0.0116	981 - 024	4.1264	4.0940	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6770	-0.0005	750 - 790	2.5886	2.6719	2.5804	-1.4	2.5842	-1.1	2.5928	-0.6	-
Philippines	(Peso)	40.8700	-0.0559	418 - 982	41.2041	39.9385	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5333	-0.0126	321 - 345	5.5589	5.5254	-	-	-	-	-	-	-
Singapore	(S$)	2.3519	+0.0029	500 - 537	2.3543	2.3461	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1091	+0.0009	071 - 111	5.1230	5.0901	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.7502	-0.0227	417 - 587	6.8034	6.7301	-	-	-	-	-	-	-
South Korea	(Won)	1193.79	-3.97	344 - 414	1200.51	1192.11	-	-	-	-	-	-	-
Taiwan	(T$)	39.0478	+0.0074	338 - 618	39.2200	39.0000	-	-	-	-	-	-	-
Thailand	(Bt)	37.4322	-0.0258	111 - 533	37.5420	37.3600	-	-	-	-	-	-	-

†SDR rate for Feb.18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.1450	+0.066	425 - 475	12.1515	12.0495	12.1637	-1.9	12.1935	-1.6	12.2375	-0.8	102.6
Belgium	(BFr)	35.5950	+0.2085	800 - 100	35.6100	35.2500	35.68	-2.9	35.835	-2.7	36.275	-1.9	103.7
Denmark	(DKr)	6.7552	+0.0319	542 - 562	6.7551	6.6880	6.7714	-2.9	6.8017	-2.8	6.8677	-1.7	103.6
Finland	(FM)	5.5633	+0.0308	583 - 683	5.5748	5.5180	5.5685	-1.1	5.5755	-0.9	5.6023	-0.7	76.7
France	(FFr)	5.8710	+0.0295	695 - 725	5.8830	5.8190	5.8839	-2.6	5.908	-2.5	5.9612	-1.5	104.2
Germany	(D)	1.7275	+0.0095	271 - 278	1.7290	1.7107	1.7312	-2.5	1.7373	-2.3	1.7486	-1.2	103.8
Greece	(Dr)	250.070	+0.92	820 - 320	250.320	248.630	253.67	-17.3	261.07	-17.6	290.07	-16.0	70.9
Ireland	(I£)	1.4168	-0.0056	148 - 188	1.4230	1.4125	1.4138	2.5	1.4081	2.5	1.3917	1.8	-
Italy	(L)	1676.15	+5.9	440 - 590	1678.50	1664.50	1681.45	-4.5	1694.55	-4.6	1738.65	-3.8	77.2
Luxembourg	(LFr)	35.5950	+0.2085	800 - 100	35.6100	35.2500	35.68	-2.9	35.835	-2.7	36.275	-1.9	103.7
Netherlands	(Fl)	1.9379	+0.0104	376 - 381	1.9392	1.9195	1.941	-1.9	1.946	-1.7	1.9536	-0.8	103.2
Norway	(NKr)	7.4738	+0.0388	728 - 748	7.4820	7.4064	7.4833	-1.5	7.5025	-1.5	7.5348	-0.8	94.3
Portugal	(Es)	175.475	+0.875	400 - 550	175.550	174.100	176.345	-5.9	178.12	-6.0	184.55	-5.2	93.7
Spain	(Pta)	140.956	+0.63	930 - 980	141.100	140.080	141.55	-5.1	142.715	-5.0	146.455	-3.9	80.1
Sweden	(SKr)	7.9612	+0.0431	574 - 649	7.9723	7.8948	7.9862	-3.8	8.0322	-3.6	8.1682	-2.6	82.3
Switzerland	(SFr)	1.4555	+0.0055	550 - 560	1.4567	1.4415	1.4564	-0.8	1.4574	-0.5	1.452	0.2	103.9
UK	(£)	1.4755	-0.0033	752 - 757	1.4823	1.4732	1.4735	1.6	1.47	1.5	1.4621	0.9	89.2
Ecu	-	1.1205	-0.0055	202 - 207	1.1305	1.1197	1.1179	2.8	1.113	2.7	1.1025	1.6	-
SDR†	-	1.39607	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	+0.0004	993 - 994	0.9994	0.9992	-	-	-	-	-	-	-
Brazil	(Cr)	584.103	-0.007	100 - 105	584.110	584.110	-	-	-	-	-	-	-
Canada	(C$)	1.3406	+0.0028	401 - 411	1.3411	1.3380	1.3409	-0.3	1.3415	-0.3	1.3444	-0.3	86.4
Mexico	(New Peso)	3.1050	-	040 - 060	3.1050	3.1040	3.1066	-0.6	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3999	-0.0016	994 - 004	1.4081	1.3976	1.4009	-0.9	1.4038	-1.1	1.4113	-0.8	87.7
Hong Kong	(HK$)	7.7295	-0.0019	290 - 300	7.7340	7.7285	7.731	-0.2	7.7335	-0.2	7.7445	-0.2	-
India	(Rs)	31.3663	-	625 - 700	31.3700	31.3625	31.4313	-2.5	31.5663	-2.6	-	-	-
Japan	(Y)	106.250	+1.95	200 - 300	106.800	104.450	106.155	1.1	105.91	1.3	104.2	1.9	148.1
Malaysia	(M$)	2.7790	-0.0015	780 - 800	2.7853	2.7760	2.7725	2.8	2.7715	1.1	2.794	-0.5	-
New Zealand	(NZ$)	1.7466	+0.0036	455 - 476	1.7476	1.7437	1.7482	-1.1	1.7527	-1.4	1.7689	-1.2	-
Philippines	(Peso)	27.7000	+0.025	500 - 500	27.8500	27.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0001	501 - 504	3.7504	3.7501	3.7527	-0.8	3.7571	-0.7	3.7758	-0.7	-
Singapore	(S$)	1.5940	+0.0056	930 - 950	1.5950	1.5870	1.5929	0.9	1.5907	0.8	1.603	-0.6	-
S Africa (Com.)	(R)	3.4628	+0.0085	620 - 635	3.4690	3.4515	3.4798	-5.9	3.5088	-5.3	3.6183	-4.4	-
S Africa (Fin.)	(R)	4.5750	-0.005	700 - 800	4.6100	4.5800	4.606	-8.1	4.665	-7.9	-	-	-
South Korea	(Won)	809.100	-0.85	000 - 200	809.600	809.000	812.1	-4.4	815.6	-3.2	834.1	-3.1	-
Taiwan	(T$)	26.4650	+0.065	600 - 700	26.4700	26.4500	26.5675	-4.6	26.715	-3.8	-	-	-
Thailand	(Bt)	25.3700	+0.04	600 - 800	25.3600	25.3200	25.44	-3.3	25.58	-3.3	25.72	-1.4	-

†SDR rate for Feb.18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.18. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.98	16.49	4.853	1.982	4707	5.444	21.00	493.0	395.8	22.37	4.090	1.904	3.766	2.810	298.6	2.508
Denmark	(DKr)	52.69	10	8.691	2.557	1.044	2480	2.868	11.07	259.8	208.6	11.79	2.155	1.003	1.985	1.481	157.3	1.321
France	(FFr)	60.63	11.51	10	2.943	1.202	2854	3.301	12.73	298.9	240.0	13.56	2.480	1.154	2.284	1.704	181.0	1.520
Germany	(DM)	20.60	3.910	3.398	1	0.408	969.8	1.122	4.327	101.6	81.56	4.610	0.843	0.392	0.776	0.579	61.51	0.517
Ireland	(I£)	50.45	9.574	8.321	2.449	1	2375	2.746	10.60	248.7	199.7	11.29	2.063	0.961	1.900	1.418	150.6	1.265
Italy	(L)	2.125	0.403	0.350	0.103	0.042	100.	0.116	0.446	10.47	8.410	0.475	0.087	0.040	0.080	0.060	6.343	0.053
Netherlands	(Fl)	18.37	3.486	3.030	0.892	0.364	864.6	1	3.858	90.56	72.72	4.110	0.751	0.350	0.692	0.516	54.84	0.461
Norway	(NKr)	47.62	9.036	7.853	2.311	0.944	2241	2.592	10	234.7	188.5	10.65	1.947	0.907	1.793	1.338	142.2	1.194
Portugal	(Es)	20.29	3.850	3.346	0.985	0.402	954.8	1.104	4.260	100.	80.30	4.538	0.830	0.386	0.764	0.570	60.58	0.509
Spain	(Pta)	25.26	4.794	4.166	1.226	0.501	1189	1.375	5.305	124.5	100.	5.652	1.033	0.481	0.951	0.710	75.42	0.633
Sweden	(SKr)	44.70	8.483	7.372	2.169	0.886	2104	2.433	9.387	220.3	176.9	10	1.828	0.851	1.683	1.256	133.4	1.121
Switzerland	(SFr)	24.45	4.640	4.033	1.187	0.485	1151	1.331	5.135	120.5	96.79	5.470	1	0.466	0.921	0.687	73.00	0.613
UK	(£)	52.52	9.967	8.662	2.549	1.041	2472	2.859	11.03	258.9	207.9	11.75	2.148	1	1.978	1.476	156.8	1.317
Canada	(C$)	26.55	5.039	4.379	1.289	0.526	1250	1.445	5.576	130.9	105.1	5.940	1.086	0.506	1	0.746	79.27	0.666
US	($)	35.58	6.753	5.869	1.727	0.705	1676	1.937	7.473	175.4	140.9	7.961	1.456	0.678	1.340	1	106.2	0.892
Japan	(Y)	334.9	63.57	55.24	16.26	6.639	15765	18.23	70.34	1651	1326	74.94	13.70	6.378	12.61	9.413	1000.	8.399
Ecu		39.88	7.568	6.577	1.935	0.790	1877	2.171	8.375	196.6	157.9	8.922	1.631	0.759	1.502	1.121	119.1	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5790	0.5837	+0.0052	0.5838	0.5790	46,761	126,928
Jun	0.5770	0.5807	+0.0052	0.5808	0.5769	1,208	10,828
Sep	0.5753	0.5787	+0.0052	0.5780	0.5748	2	329

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6865	0.6946	+0.0088	0.6950	0.6864	18,295	40,012
Jun	0.6875	0.6939	+0.0090	0.6944	0.6863	881	2,226
Sep	-	0.6944	+0.0090	0.6915	-	-	-

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100 (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.9606	0.9595	-0.0002	0.9660	0.9538	25,856	91,816
Jun	0.9650	0.9631	-0.0003	0.9654	0.9587	742	8,262
Sep	-	0.9676	-0.0004	0.9698	0.9660	5	840

■ **STERLING FUTURES** (IMM) £62,500 per £ (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.4770	1.4818	+0.0054	1.4840	1.4750	8,773	39,324
Jun	1.4720	1.4768	+0.0054	1.4780	1.4692	126	2,524
Sep	-	1.4732	+0.0056	1.4750	1.4670	1	436
Dec	-	1.4710	+0.0058	1.4720	1.4650	1	12

EMS EUROPEAN CURRENCY UNIT RATES

Feb 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.791966	-0.000068	-2.06	4.72	14
Netherlands	2.19672	2.17468	+0.00141	-1.00	3.60	-
Belgium	40.2123	39.9173	+0.0164	-0.73	3.32	5
Germany	1.94964	1.93805	+0.00117	-0.59	3.17	-
France	6.53883	6.59095	+0.00117	0.80	1.75	-7
Denmark	7.43679	7.57678	+0.00478	1.91	0.64	-13
Portugal	192.854	196.679	+0.219	1.98	0.57	-13
Spain	154.250	158.199	-0.21	2.56	0.00	-18
NON ERM MEMBERS						
Greece	264.513	280.813	-0.04	6.16	-3.39	-
Italy	1793.19	1881.38	-2.83	4.92	-2.25	-
UK	0.786749	0.760420	-0.001153	-3.35	6.11	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.400	7.90	7.93	8.03	0.03	0.20	0.48
1.425	5.54	5.82	6.07	0.08	0.52	0.94
1.450	3.34	3.93	4.32	0.35	1.12	1.67
1.475	1.64	2.46	2.89	1.10	2.09	2.67
1.500	0.60	1.40	1.88	2.55	3.46	4.09
1.525	0.13	0.72	1.13	4.53	5.27	5.82

WORLD INTEREST RATES

MONEY RATES

February 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	[illegible]	[illegible]	[illegible]	[illegible]	7.40	5.25	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	7.40	5.25	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.20	-	7.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.20	-	7.75
Germany	6.08	6.05	5.85	5.65	5.37	6.75	5.25	6.00
week ago	6.38	6.05	5.85	5.65	5.37	6.75	5.75	6.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.00	8.92
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.00	8.92
Netherlands	5.59	5.46	5.26	5.13	4.98	-	5.25	-
week ago	5.61	5.46	5.30	5.11	4.95	-	5.25	-
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	4.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.625	4.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	4	-	3.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.75	-

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.24	94.23	-0.03	94.27	94.22	13092	194899
Jun	94.68	94.67	-0.04	94.72	94.66	27258	222798
Sep	94.97	94.93	-0.07	94.98	94.93	12741	168106
Dec	95.12	95.10	-0.05	95.14	95.08	8812	131269

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.72	91.73	0.01	91.77	91.66	8645	38409
Jun	92.15	92.12	-0.05	92.19	92.09	4316	48667
Sep	92.44	92.42	-0.06	92.49	92.43	1090	22206
Dec	92.63	92.60	-0.08	92.66	92.59	885	16664

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.94	95.94	-0.02	95.96	95.92	5499	33001
Jun	96.18	96.14	-0.05	96.16	96.13	5894	23477
Sep	96.29	96.26	-0.05	96.23	96.27	108	5710

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES- Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

APPOINTMENTS

EASTERN EUROPE/EASTERN MEDITERRANEAN EMERGING MARKETS - STRATEGY, RESEARCH AND ECONOMICS

The rapid pace of developments in these emerging markets has created the need for us to reinforce our research groups by the addition of two outstanding specialists-

FIXED INCOME

The successful candidate will have a first class academic pedigree (doctorate preferred) combined with at least 8 years' experience in emerging markets research at officer level in a commercial or investment bank. A clear focus on Eastern European markets is vital, and candidates must be able to show a successful track record as an economist in providing portfolio recommendations to institutional clients.

EQUITY

The successful candidate will be educated to at least MBA level, and will have at least 5 years' experience at officer level in an investment bank, specialising in equity transactions in Eastern Europe. A well developed knowledge of, and contacts in, the major emerging markets of the Eastern Mediterranean and an entrepreneurial approach to business are also key.

Candidates for both positions must be familiar with working methods of a major global investment bank and North American business practice. Salaries negotiable.

Please write enclosing full CV to Box B2288, Financial Times, Number One, Southwark Bridge, London SE1 9HL.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 21 / Sch)

BELGIUM/LUXEMBOURG (Feb 21 / Frs.)

DENMARK (Feb 21 / Kr)

FINLAND (Feb 21 / Markka)

FRANCE (Feb 21 / Frs.)

GERMANY (Feb 21 / Dm.)

ITALY (Feb 21 / Lire)

NETHERLANDS (Feb 21 / Fls.)

NORWAY (Feb 21 / Kroner)

SPAIN (Feb 21 / Pts.)

SWEDEN (Feb 21 / Kronor)

SWITZERLAND (Feb 21 / Frs.)

PACIFIC

JAPAN (Feb 21 / Yen)

HONG KONG (Feb 21 / H.K.$)

MALAYSIA (Feb 21 / MYR)

SINGAPORE (Feb 21 / S$)

AUSTRALIA (Feb 21 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Feb 21 / Can $)

4 pm close

MONTREAL (Feb 21 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Feb 21 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (Daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, February 21, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nitsuko	6.0m	1,410	+70	Hitachi	2.2m	892	+3
Fujitsu	4.1m	1,010	+26	Sanyo Elec	2.1m	454	+15
Nippon Oil	3.7m	721	+6	Matsushita El Ind	2.0m	1,720	+20
Toshiba	2.7m	717	-1	Toei	1.8m	800	+80
Nippon Steel	2.6m	340	+1	Mitsubishi Hvy	1.8m	670	-4

INDICES

US INDICES

Dow Jones	Feb 18	Feb 17	Feb 16	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3887.46	3922.64	3937.27	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.59	104.81	104.91	109.77 (18/10/93)	103.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1795.42	1798.51	1801.60	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	208.54	212.10	212.76	256.46 (31/8/93)	208.54 (18/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3931.92 (3975.82) Low 3869.73 (3894.21) (Theoretical♦)
Day's high 3923.20 (3957.81) Low 3880.43 (3906.80) (Actual♦)

Standard and Poors	Feb 18	Feb 17	Feb 16	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	467.69	470.34	472.79	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	548.47	551.25	553.69	560.59 (2/2/94)	496.48 (28/4/93)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	43.94	44.23	44.53	48.48 (28/9/93)	39.89 (8/1/93)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.87	261.38	262.55	267.71 (2/2/94)	238.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	470.95	474.46	475.32	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	788.85	790.24	792.62	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 18	Feb 11	Feb 4	Year ago
Dow Jones Ind. Div. Yield	2.59	2.58	2.62	3.07
	Feb 16	Feb 9	Feb 2	Year ago
S & P Ind. Div. yield	2.34	2.35	2.32	2.55
S & P Ind. P/E ratio	26.18	26.07	26.51	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	470.10	468.15	-2.25	471.50	465.30	51,298	180.705
Jun	472.50	469.45	-2.25	472.70	466.40	3,181	8,907
Sep	472.10	471.20	-2.20	474.35	468.50	119	1,214

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	5,002,900	71¼	-2¼
Paramount	3,469,100	75	-1¼
Merck	3,209,100	32⅞	-¼
Wal-Mart	3,129,900	27¾	–
K Mart	2,806,400	19⅞	-¼
IBM	2,678,100	52⅝	-⅜
Gen Motors	2,642,900	59¾	-¼
GTE	2,545,900	31⅝	-⅝
Am Barrick	2,530,900	25	-½
Chrysler	2,528,900	58	-⅜

■ TRADING ACTIVITY

● Volume (million)

	Feb 18	Feb 17	Feb 16
New York SE	289.302	338.879	295.390
Amex	17.120	19.197	19.371
NASDAQ	(u)	354.812	338.501
NYSE			
Issues Traded	2,739	2,761	2,751
Rises	701	878	1,187
Falls	1,418	1,263	941
Unchanged	620	620	623
New Highs	45	109	103
New Lows	98	51	41

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2240.0	2220.0	-38.0	2252.0	2220.0	24,068	15,708
Mar	2250.5	2229.5	-40.0	2261.0	2229.0	5,264	49,743
Apr	2260.5	2241.5	-38.0	2260.5	2258.0	72	950

Open interest figures for previous day

… Korea Comp Ex 932.93. Base values of all Indices are 100 except: Australia All Ordinary and … HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & … JSE Gold - 255.7, JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ … (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 21 - 2108.08 -25.78

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

EUROPE

Bond market declines push shares lower

Friday's free fall in US long bonds gave bourses another bad day, *writes Our Markets Staff.*

FRANKFURT returned to the real world, said Mr Edgar Benischek, head of trading at Bank Julius Bär in Frankfurt. The big financials, such as Allianz, Deutsche Bank and Dresdner, had studiously ignored a falling bund market last week, he said, with options expiring on Friday; yesterday they dropped with the Dax index which closed the session 32.44 lower at 2,119.53, the Ibis-indicated Dax easing later to 2,108.06.

The Bund future, said Mr Benischek, was the key to the decline; it dropped 87 basis points to 97.24 yesterday after a rough Friday in New York.

Turnover fell from DM9.9bn to DM6.4bn. Story led stocks were clearly uncomfortable. Metallgesellschaft dropped another DM20.50 to DM175.50 ahead of today's results conference: BMW, with Honda planning to sell its equity stake in Rover, fell DM19.50 to DM848, and shed another DM8 after hours on profit-taking after last week's 8 per cent gain.

Mannesmann, a recent Anglo-Saxon choice on its cellular telephone prospects, lost DM8.50 to DM428 on the session and another DM4 in the afternoon. PWA, the papermaker, which had led the market early this year on its cyclical recovery prospects, fell DM10, or more than 4 per cent to DM228 on a group net loss of DM240m.

PARIS was disappointed on a number of counts: weakness in the bond market, lack of a rate cut from the Bank of France and worries over the direction of Wall Street when it re-opens later today.

On the last day of the account the CAC-40 index lost 36.58 or 1.6 per cent to 2,215.20.

Turnover was moderate at FFr4.6bn.

Elf Aquitaine continued to fall back in heavy volume, the shares losing FFr3.80 to FFr415.00.

AMSTERDAM featured a steep fall in Nedlloyd as the market reacted to a larger than expected convertible bond issue, the shares dipping Fl 3.20 to Fl 74.80.

The AEX index closed off 1.33 to 425.53.

Unilever, with results due today, and Akzo, which is expected to report later in the week, both advanced by Fl 2.30, to Fl 227.80 and Fl 215.90 respectively.

MILAN produced some winners as the Comit index lost 4.48 to 684.55 in thin trading.

Fiat added L15 to L4,965, after a low of L4,880, in spite of protests and last-minute wrangling which delayed final agreement on a key deal with unions to shed 16,500 jobs.

Banks saw BCI climb a further L52 to L6,221 ahead of its privatization at the end of the month; longer term privatization prospects for Banca Nazionale del Lavoro and recent management changes helped the savings shares L1,527 or 10.9 per cent higher to L15,540; and Banco di Napoli rose by L195, or 9.2 per cent to L2,315 on speculation that it could be added to the list of privatisation candidates.

MADRID, one of the European markets picked out for growth by the strategists this year, had profits left to take after a gentle decline last week. The general index tumbled by 7.10 to 338.36 in turnover of Pta25.7bn.

Dealers said that the downtrend was stronger at the end of the day. Banks and electrical utilities led the way down, with Argentaria Pta230 off at Pta6,300 and Sevillana Pta29 lower at Pta772.

ZURICH edged lower in quiet trading as weakness in the bond market continued to weigh on equities. The SMI index shed 28.3 to 2,997.6.

Mr Simon Marshall Lockyer at Kleinwort Benson, who maintains a neutral weighting on the Swiss market, noted that profit-taking in financials, and particularly the insurance sector as the reporting season began had contributed to the flat performance of Swiss market, compared with the FT-A Europe ex-UK, over the last month. However, a sharp fall in January inflation to 2.1 per cent suggested that further cuts in domestic interest rate cuts were possible, although large reductions were more likely elsewhere, which suggested an end to the trading run in the bank and insurers.

ISTANBUL resumed a downward course after Friday's advance with a fall of 10.5 per cent in the composite index, which lost 2,024.52 to 17,250.12.

Trading remains volatile, with investors still attracted by high money market rates: the central bank raised overnight interest rate to 110 per cent yesterday from 90 per cent.

WARSAW remained confident. In spite of a sharp fall in Bank Slaski, which lost 8.7 per cent to 4.2m zlotys, the WIG index rose 299 or 1.6 per cent to a record 19,358.3 in turnover of 3,700bn zlotys.

Last Thursday, Bank Slaski's stockbroking licence was revoked. Late on Friday, however, the stock exchange said that it would not suspend trade in the bank; the finance ministry felt that new shareholders had been penalised, because trading had begun before everyone had registered their stock.

TEL AVIV dropped as small investors, acting through mutual funds, dumped stocks into institutional hands following stock exchange investigations into alleged insider trading and share-price manipulation. The Mishtanim index lost 11.04 or 4.9 per cent to 214.99.

ATHENS closed 4.9 per cent higher as hopes grew that a peaceful solution to the Bosnia crisis lay ahead. The general index added 51.82 to 1,119.7 in volume of 1.8m shares.

Wall Street was closed yesterday for President's Day.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Feb 21								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1483.49	1484.99	1484.81	1483.19	1483.29	1483.78	1483.33	1483.51
FT-SE Eurotrack 200	1538.55	1539.49	1539.19	1536.07	1536.31	1538.10	1537.86	1539.13

	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14
FT-SE Eurotrack 100	1495.00	1516.65	1491.80	1483.24	1477.57
FT-SE Eurotrack 200	1550.75	1569.18	1554.49	1540.98	1534.08

Base value 1000 (26/10/90); Highday: 100 - 1485.66; 200 - 1540.97 Lowday: 100 - 1482.47 200 - 1536.02.

ASIA PACIFIC

Tokyo gains 2.3% as Hong Kong falls

Tokyo

The yen's fall against the dollar encouraged buying among arbitrageurs, and the Nikkei 225 average gained 2.3 per cent, recovering the 19,000 level for the first time in three trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 rose 434.34 to 19,393.94 as the yen fell to the Y105 level on continued buying of the dollar by the Bank of Japan. The index registered a day's low of 18,826.68 in the morning before rising to a high of 19,415.14 in the afternoon on index-linked buying.

However, some analysts were ambivalent over a continued rise in share prices. "There is not much significance in the rise, since volume was so low," said Mr Jason James, a strategist at James Capel. He thought that the yen would not weaken much further, and that it could remain at current levels for at least another month until a decisive breakthrough was made on trade talks between the US and Japan.

Volume was 220m shares, against Friday's 265m. In spite of a sense of relief over the yen's weakening, most investors remained inactive. Large-lot buying by foreign investors, seen during the past month, was also absent.

The Topix index of all first section stocks put on 12.85 at 1,569.96 and the Nikkei 300 added 2.55 at 290.51. Advances overwhelmed declines by 661 to 327, with 188 issues unchanged. In London the ISE/Nikkei 50 index firmed 3.69 to 1,307.11.

Arbitrage buying supported bank shares. Industrial Bank of Japan improved Y10 to Y3,200 and Sakura Bank moved ahead Y20 to Y1,470.

The yen's decline supported export-oriented high-technology shares. Sony advanced Y80 to Y6,110 and Matsushita Electric Industrial Y20 to Y1,720. Toyota Motor was also strong, rising Y60 to Y1,930, while Honda Motor appreciated Y40 to Y1,660.

Telecommunications-related stocks gained ground, with buying focused on the multimedia theme. Nitsuko, the most active issue of the day, climbed Y70 to Y1,410 and Fujitsu Y26 to Y1,010. Nippon Telegraph and Telephone added Y14,000 at Y914,000.

Sega Enterprises fell Y60 to Y7,220 on continued pessimism over its earnings following a downward revision in profits last Friday. Pioneer Electronic slipped Y10 to Y2,570.

In Osaka, the OSE average rose 168.20 to 21,264.40 in volume of 41.3m shares.

Roundup

There were mixed performances from the region's markets yesterday, although Hong Kong's decline was almost mirrored in Australia.

HONG KONG closed sharply lower on institutional selling. The Hang Seng index fell by 369.43, or 3.4 per cent, to 10,456.45. Turnover slipped to HK$4.3bn from Friday's HK$4.7bn.

Profit-taking was evident in the banking sector, where HSBC Holdings surrendered HK$2 to HK$116 and Hang Seng Bank receded HK$2.50 to HK$70.50.

The property sub-index dropped 791, or 4 per cent, to 18,616, with Cheung Kong declining HK$1.50 to HK$43 and Sun Hung Kai Properties retreating HK$2.50 to HK$58.

AUSTRALIA was dragged down by sharp falls overseas and weaker futures and bonds, and fell 2 per cent to its lowest level in a month, the All Ordinaries index finishing 44.7 down at 2,178.5.

Worst hit were media and some resource stocks, particularly coal. News Corp fell 40 cents to A$10.08 and the Nine Network 8 cents to A$5.84 as the media index weakened 3.1 per cent.

SINGAPORE moved cautiously higher, with many investors remaining absent ahead of tomorrow's budget. The Straits Times Industrial index rose 16.60 to 2,350.87.

SEOUL moved upwards for the third consecutive session, helped by activity in blue chip issues, and the composite index added 13.07 at 946.00.

Kepco, the electricity utility, and Posco, the steel manufacturer, gained Won800 and Won2,000 respectively at Won31,100 and Won64,200.

TAIWAN eased back in the lowest day's volume seen so far this year. The weighted index receded 29.93 to 5,783.89 in turnover of T$42.2bn.

MANILA declined in late trading, influenced by the fall in Hong Kong and a setback in PLDT in New York on Friday.

The Manila composite index shed 39.8 to 3,005.6 in turnover of 779m pesos, compared with Friday's 1.3bn pesos. PLDT, which lost $1⅞ at $74⅞ in New York on Friday, dropped 1.4 per cent to 3,140 pesos.

JAKARTA fell 2 per cent, blaming overall bearish sentiment and increasing foreign sell orders as the JKSE index dipped a further 11.02 to 543.76.

KARACHI anticipated more foreign buying as it rose on government incentives for the energy sector, the KSE-100 index closing 26.86 stronger at 2,375.41.

BOMBAY climbed 5.5 per cent, the BSE index ending 214.48 higher at 4,129.52 in expectation of further economic reforms, including fiscal concessions to industry in the national budget next Monday.

Brokers said that budget rumours included, a reduction in corporate taxes, the raising of tax limits on individual incomes and full convertibility for the rupee on current account.

Equities react to unexpected

By Michael Morgan

A series of largely unexpected political and economic developments in Japan, Europe and the US provided the impetus for equity markets last week.

Most European markets managed modest advances over the week, although Paris, Amsterdam and Madrid were exceptions, but the FT-Actuaries World index dipped as sharp falls in south-east Asian markets took their toll.

In Tokyo, a higher yen in the aftermath of the breakdown in trade talks with the US left equities sinking. Kleinwort Benson, which sees very little possibility of a trade war, comments: "The real worry for Japanese equity markets is that the administration will talk the yen higher. A higher yen means lower profits. With the market always having been earnings, rather than interest rate, driven through the current economic malaise, lower profits mean lower equity prices."

Conversely, Nomura, which was surprised by the speed and extent of the rise in the yen, remained bullish on the outlook for the Japanese stock market. "The impact of an overvalued currency (and possible trade sanctions) and the full force of domestic reflation could see the trade surplus shrink with surprising rapidity," the bank says. "A further cut in the discount rate in Japan, and rise in the US, should also help. The pace of corporate restructuring, moreover, could well accelerate, increasing visibility of a dramatic profits recovery as and when the recovery gets under way."

Europe, meanwhile, had interest rates on its mind, although in the event the Bundesbank's decision to act on Thursday took most analysts by surprise.

UBS notes that after innumerable false dawns the Bundesbank's decision to lower the discount rate by 50 basis points represented the first reduction in German official rates since early October.

"The nature of the reduction – lowering the discount rate and keeping the Lombard rate constant while maintaining the repo rate fixed at 6 per cent – gives the Buba plenty of room to manoeuvre over the coming months. European rates are now firmly back on the agenda and a return to last year's 'salami slice' reductions in the repo rate is now in prospect."

UBS adds that the German move paves the way for the Banque de France to cut its rates after its council meeting on Thursday, although perhaps by less than the German 50 basis points.

"The [French] central bank's continued dogged attachment to relatively high interest rates remains a source of puzzlement. The central bank alternates between exchange rate concerns and credibility worries to publicly justify its obstinacy," UBS notes.

At the same time, the debate over the relative attractions of Europe and Asian markets for equity investors continued apace.

A Smith New Court-Gallup poll revealed that 18 per cent of UK fund managers planned to reduce their exposure to continental European equities – the biggest negative balance since the survey began in the middle of 1990 – in favour of Japan, although the broker notes that the worries for Europe seemed to be mainly short term.

James Capel, however, takes an opposite view, saying that there remained a huge weight of money to be invested in equities, and while the Far East needs longer to simmer down and Japan to return to the boil, Europe was expected to be a major beneficiary.

By the end of last week, attention had turned to the sell-off in US bonds after bad news on the business outlook and inflation from the Philadelphia Federal Reserve. European equities and bonds felt the pinch on Friday as Wall Street tumbled, but investors were adopting a cautious attitude yesterday, awaiting new clues when Wall Street resumes trading after the long holiday weekend.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-0.85	-2.80	+34.93	+41.84	+36.36	+33.19
Belgium	+0.42	+0.90	+25.91	+34.91	+29.78	+26.76
Denmark	+1.92	+2.50	+42.28	+56.98	+49.99	+46.50
Finland	+0.23	+1.59	+107.57	+130.04	+122.83	+117.47
France	-1.14	+0.31	+22.24	+28.36	+24.29	+21.40
Germany	+1.90	+2.91	+26.27	+37.67	+32.87	+29.78
Ireland	+1.69	-5.29	+56.17	+64.27	+47.40	+43.96
Italy	+0.39	+12.24	+39.53	+61.74	+46.18	+42.77
Netherlands	-1.89	-1.17	+35.18	+42.81	+37.97	+34.76
Norway	+1.57	+1.96	+52.10	+58.86	+49.42	+45.94
Spain	-1.06	+1.53	+42.08	+57.31	+31.48	+28.42
Sweden	+4.62	+1.63	+46.59	+53.20	+40.11	+36.84
Switzerland	+1.55	-0.44	+43.38	+47.51	+52.64	+49.08
UK	+0.06	-2.95	+20.85	+21.62	+21.62	+18.79
EUROPE	+0.31	-0.21	+28.09	+33.66	+30.38	+27.34
Australia	-1.29	-1.23	+33.09	+37.65	+46.22	+42.81
Hong Kong	-6.15	-6.86	+75.66	+97.19	+102.15	+97.45
Japan	-3.10	-0.95	+20.55	+19.19	+46.08	+42.68
Malaysia	-1.37	+4.30	+96.31	+101.98	+94.52	+90.00
New Zealand	-3.36	-0.61	+43.38	+49.61	+70.98	+67.01
Singapore	-1.82	+1.81	+52.19	+57.17	+66.18	+62.32
Canada	-0.52	-3.43	+21.95	+23.06	+19.75	+16.97
USA	-0.47	-1.38	+7.90	+6.81	+9.35	+6.81
Mexico	-1.61	+4.26	+72.03	+54.13	+58.56	+54.86
South Africa	+2.01	+2.42	+48.50	+56.72	+72.25	+68.24
WORLD INDEX	-1.18	-0.99	+19.12	+19.86	+27.69	+24.73

† Based on February 18th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

AMERICA

Toronto down ahead of budget

Canada

Toronto was under pressure from weaker Canadian bonds ahead of today's release of the 1994/95 federal budget. By noon, the TSE 300 Composite index was 39.11 lower at 4,339.28 in volume of 21.7m shares.

Alcan shed C$1 to C$29½ and Inco C$⅞ to C$34¼, contributing to an 82.64 or 2.3 per cent fall to 3,513.89 in the Metals and Minerals index.

Banking stocks were also active ahead of fourth quarter results this week. Royal Bank of Canada fell C$¼ to C$29¼ and Bank of Montreal dipped C$⅜ to C$28⅛.

Brazil

Equities in São Paulo were 2.5 per cent higher in heavy midday trade as investors exercised contracts during the settlement of options.

The Bovespa index had gained 237 at 9,686 by 1 pm.

Turnover reached a record high Cr743.2bn ($1.3bn).

● Foreigners invested a net $5.47bn in Brazil's capital markets in 1993, almost five times the amount that flowed into the country in 1992, according to the Securites and Exchange Commission, *Reuter reports from São Paulo.*

This compares with $1.21bn in 1992 and $288m in 1991.

According to latest estimates, investment in January was $1bn, some four times the amount that flowed into the country in the same month last year.

SOUTH AFRICA

Bullion weakness pressures gold stocks

Johannesburg struggled to attract investor interest owing to the closure of Wall Street, with traders commenting that only weakness in the price of bullion provided some direction throughout the session.

Sentiment also remained under pressure from the stalled constitutional talks and further violence at the weekend, when 15 ANC election campaigners were killed in Natal province.

The golds index lost 40 at 1,862, industrials gained 9 at 5,704 and the overall index edged down 21 to 4,831.

Both De Beers and Anglos declined R1.50 to R105.50 and R194 respectively. In golds, Kloof shed 50 cents to R43.25 and Vaal Reefs R12 to R406.

Among the industrial stocks, Barlow Rand dipped 10 cents to R28.50 and SAB fell by 75 cents to R87.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 18 1994								THURSDAY FEBRUARY 17 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	178.69	-1.2	179.15	117.81	159.61	166.56	-0.9	3.18	180.85	181.91	119.27	163.04	168.11	189.15	128.29	129.32
Austria (17)	186.69	0.5	187.16	123.08	168.74	166.51	-0.5	0.98	185.83	186.91	122.54	167.52	167.27	195.41	139.63	144.22
Belgium (42)	168.88	1.2	169.31	111.34	150.84	147.38	0.4	3.90	166.87	167.84	110.04	150.43	146.78	169.08	140.84	140.84
Canada (107)	135.26	-0.3	135.60	89.17	120.81	131.02	-0.6	2.57	135.72	136.51	89.50	122.35	131.76	145.31	117.81	117.81
Denmark (32)	272.67	1.3	273.37	179.77	243.54	249.34	1.0	0.91	269.11	270.68	177.47	242.60	246.97	275.79	195.66	206.17
Finland (22)	151.39	-0.6	151.77	99.80	135.21	175.77	-1.1	0.58	152.30	153.19	100.44	137.30	177.67	156.72	68.33	68.33
France (99)	178.68	-0.4	179.13	117.80	159.59	163.72	-1.1	2.84	179.38	180.42	118.29	161.71	165.58	186.37	149.60	154.33
Germany (59)	135.02	1.9	135.37	89.02	120.60	120.60	0.9	1.78	132.54	133.32	87.41	119.49	119.49	142.38	107.59	112.47
Hong Kong (56)	437.46	0.2	438.59	288.42	390.74	434.23	0.2	2.45	436.40	438.95	287.79	393.42	433.29	506.56	233.84	249.05
Ireland (14)	195.47	0.0	195.98	128.88	174.60	193.64	-0.6	2.85	195.55	196.69	128.96	176.29	194.85	208.33	131.69	131.69
Italy (69)	78.34	-0.1	78.54	51.65	69.97	97.69	-0.7	1.73	78.39	78.84	51.69	70.67	98.34	78.93	55.21	60.21
Japan (469)	149.86	0.3	150.24	98.80	133.85	98.80	0.2	0.82	149.46	150.33	98.56	134.74	98.56	165.91	107.97	108.46
Malaysia (69)	496.77	1.3	498.04	327.52	443.71	531.97	1.3	1.37	490.32	493.18	323.35	442.03	525.16	621.68	267.68	267.68
Mexico (18)	2552.21	-0.6	2558.74	1682.65	2279.54	8664.37	-0.6	0.58	2568.35	2583.30	1693.70	2315.32	8719.15	2647.08	1410.30	1489.14
Netherland (26)	204.03	-0.5	204.56	134.52	182.24	179.50	-1.3	2.95	204.95	206.14	135.15	184.76	181.89	207.43	158.16	158.16
New Zealand (14)	71.63	-2.4	71.81	47.22	63.98	66.29	-2.1	3.50	73.38	73.81	48.39	66.16	67.73	77.59	44.19	44.92
Norway (23)	200.98	0.4	201.49	132.50	179.50	202.82	-0.2	1.46	200.23	201.40	132.04	180.50	203.27	204.44	138.63	141.21
Singapore (45)	346.33	0.0	347.22	228.34	309.34	253.51	-0.1	1.60	346.27	348.29	228.35	312.16	253.80	378.92	213.57	220.19
South Africa (60)	249.17	-0.5	249.80	164.27	222.55	249.43	-0.6	2.32	250.50	251.96	165.19	225.82	251.03	280.26	160.78	166.41
Spain (42)	149.75	-0.6	150.14	98.73	133.75	159.20	-1.0	3.68	150.62	151.50	99.33	135.76	160.86	155.79	116.33	126.26
Sweden (36)	226.56	2.1	227.14	149.37	202.36	265.56	1.2	1.34	221.96	223.26	146.38	200.10	262.32	230.02	154.59	162.19
Switzerland (49)	168.48	-0.6	168.91	111.08	150.48	151.45	-1.3	1.44	169.42	170.40	111.72	152.72	153.50	176.56	109.14	112.91
United Kingdom (215)	204.75	-0.9	205.27	134.99	182.88	205.27	-1.2	3.51	206.55	207.75	136.21	186.21	207.75	214.96	163.23	165.80
USA (516)	190.22	-0.6	190.71	125.41	169.90	190.22	-0.6	2.76	191.28	192.39	126.14	172.44	191.28	196.04	176.29	176.29
EUROPE (745)	173.19	-0.1	173.63	114.18	154.69	166.87	-0.7	2.72	173.43	174.44	114.37	156.34	168.11	178.58	136.95	137.74
Nordic (113)	217.70	1.4	218.26	143.53	194.44	223.27	0.7	1.14	214.72	215.97	141.60	193.56	221.84	220.60	145.85	150.10
Pacific Basin (722)	161.07	0.2	161.48	106.19	143.86	110.80	0.2	1.09	160.75	161.69	106.01	144.92	110.59	168.80	113.79	113.79
Euro-Pacific (1467)	165.96	0.1	166.38	109.42	148.23	132.36	-0.2	1.60	165.87	166.84	109.39	149.53	132.64	170.78	123.36	128.47
North America (625)	186.81	-0.5	187.29	123.16	166.85	186.15	-0.6	2.75	187.63	188.92	123.87	169.33	187.18	192.73	172.67	172.67
Europe Ex. UK (530)	152.78	0.3	153.17	100.72	136.45	144.11	-0.4	2.22	152.28	153.17	100.42	137.28	144.75	155.79	119.31	120.18
Pacific Ex. Japan (253)	269.22	-0.1	269.91	177.50	240.46	247.99	-0.1	2.45	269.58	271.14	177.77	243.01	248.15	298.21	164.34	166.07
World Ex. US (1652)	167.62	0.0	168.04	110.51	149.71	135.67	-0.2	1.81	167.58	168.56	110.51	151.07	135.98	172.51	124.49	124.57
World Ex. UK (1955)	171.18	-0.1	171.62	112.86	152.89	147.75	-0.3	2.00	171.37	172.37	113.01	154.48	148.13	175.58	138.71	138.71
World Ex. So. Af. (2110)	173.69	-0.2	174.13	114.51	155.13	151.94	-0.3	2.16	174.01	175.02	114.75	156.87	152.48	178.56	140.99	140.99
World Ex. Japan (1701)	188.78	-0.4	189.27	124.46	168.61	184.66	-0.6	2.66	189.48	190.58	124.95	170.81	185.96	195.20	159.64	159.64
The World Index (2170)	174.12	-0.2	174.56	114.79	155.51	152.73	-0.3	2.16	174.44	175.46	115.04	157.26	159.27	178.97	141.06	141.06

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Latest prices were unavailable for this edition.